

May 9, 2008

TO: County of San Mateo  
City of Half Moon Bay  
Coastside County Water District  
Granada Sanitary District  
Montara Water and Sanitary District  
Sewer Authority Midcoastside  
Cabrillo Unified School District

SUBJECT: Municipal Service Review for City of Half Moon Bay and  
Unincorporated Midcoast

This municipal service review is being circulated for review and public comment prior to consideration by the San Mateo Local Agency Formation Commission. Affected agencies, residents, property owners and interested individuals and groups are invited to comment on the municipal service review to assist staff in preparing determinations regarding the agencies under study as required by Government Code Section 56430.

This report is available on line at [www.sanmateolafco.org](http://www.sanmateolafco.org).

A workshop for agencies and the community will be held by LAFCo staff on May 15, 2008 at 7:00 p.m. at Ted Adcock Center in Half Moon Bay.

Comments on the draft report should be submitted to LAFCo by June 6, 2008 at the following address:

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The Local Agency Formation Commission will consider the municipal service review and determinations at the meeting of June 18, 2008 scheduled to be at 2:30 in the Board of Supervisors Chambers, 400 County Center Redwood City.

**Municipal Service Review of the  
City of Half Moon Bay and Unincorporated  
Midcoast**

**SAN MATEO COUNTY LAFCO**



**May 9, 2008,**

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## **1. INTRODUCTION**

This report presents the Municipal Service Review for the City of Half Moon Bay and the unincorporated area of the Midcoast. This report was prepared for the Local Agency Formation Commission (LAFCO) of San Mateo County.

### **1. LAFCO MUNICIPAL SERVICE REVIEW BACKGROUND**

A Municipal Service Review is a State-required comprehensive study of services within a designated geographic area. This requirement is contained in the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (Government Code Section 56000 et seq.). The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 requires LAFCO to review and update Sphere's of Influence not less than once every five years and to review municipal services before updating Spheres of Influence. The requirement for service reviews arises from the identified need for a more coordinated and efficient public service structure to support California's anticipated growth. The service review provides LAFCO, the public agencies under review, and the community with a tool to study existing and future public service conditions comprehensively and to evaluate organizational options for accommodating growth, preventing urban sprawl, and ensuring that critical services are provided efficiently.

The Municipal Service Review process does not require LAFCO to initiate changes of organization based on service review findings; it only requires that LAFCO identify potential government structure options and determine their advantages and disadvantages per Government Code Section 56430. However, LAFCO, other local

agencies, and the public may subsequently use the determinations to analyze prospective changes of organization or reorganization or to establish or amend Sphere's of Influence.

## **2. LAFCO MUNICIPAL SERVICE REVIEW REQUIREMENTS**

As part of the Municipal Service Reviews, LAFCO must prepare an analysis and written statement of determinations regarding nine evaluation categories.

- **Infrastructure needs and deficiencies.** This evaluation category focuses on the adequacy of existing and planned public facilities in accommodating future growth and the efficient delivery of public services.
- **Growth and population projections for the affected area.** This evaluation category focuses on projected short and long-term demand for services within the particular area, as measured by current and future population and their relationship to land use plans and programs.
- **Financing constraints and opportunities.** Under this evaluation category, LAFCO examines service financing conditions and practices and weighs a community's public service needs against the resources available to fund the services.
- **Cost avoidance opportunities.** This evaluation category relates to service duplication, inefficiencies due to overlapping boundaries, and other practices or circumstances that may increase service costs. Cost reduction opportunities related to economies of scale, shared facilities, transferring service obligations, financing opportunities, and infrastructure upgrades, and other practices are identified.
- **Opportunities for rate restructuring.** This evaluation category relates to rate review including, for example, rate-setting methodologies, conditions that could impact future rates, variances among rates, fees, taxes, and charges, and opportunities to modify rates.
- **Opportunities for shared facilities.** This evaluation category pertains to the opportunity to reduce costs by sharing facilities and eliminating duplications.
- **Government structure options including advantages and disadvantages of consolidation or reorganization of service providers.** LAFCO must adopt written determinations with respect to government structure options that could improve service conditions and government accountability

- **Evaluation of management efficiencies.** This evaluation examines efficiencies of an agency in the context of effectiveness and ability to provide service with resources available.
- **Local accountability and governance.** This evaluation category focuses on the visibility and accessibility of the decision-making body, staff and the decision-making process, public participation in elections, publicly disclosed agency budgets, programs, and plans, as well as public participation in the consideration of work and infrastructure plans.

The Municipal Service Reviews are intended as an informational tool to help LAFCO, other agencies and the public understand the public service structure.

### **3. HOW THE MUNICIPAL SERVICE REVIEW REPORT WILL BE UTILIZED**

The Municipal Service Review report and the data collected through the process of preparing the report will be used by the LAFCO of San Mateo County to review and update the Sphere's of Influence of cities and special districts in the Midcoast area. Government Code §56375(a) gives LAFCO the power to initiate certain types of boundary changes consistent with service reviews and Sphere of Influence studies.

These boundary changes include:

- Consolidation of districts (joining two or more into a single successor district);
- Dissolution (termination of a district and its corporate powers);
- Merger (termination of a district by merging that district with a city);
- Establishment of a subsidiary district (where a city council becomes the board of directors of the district); or
- A reorganization that includes any of the above.

The following types of boundary changes may be proposed to LAFCO:

- Formation of a new district or city;
- Annexation to or detachment from a city or district; or

- A reorganization that includes any of the above.

LAFCO may also use the information presented in the Municipal Service Review report to review future proposals for extension of service beyond a local governments jurisdictional boundaries or for amendment of urban service area boundaries of a city.

## **2. BACKGROUND AND AGENCY OVERVIEW**

This chapter provides an overview of local government finance, types of local government and the local governments that provide services in the San Mateo Midcoast area, their respective population, and projected growth.

### Municipal-type services and Local Government Finance

It is also important to note that whether provided by the County, a city or independent special district, municipal services are either enterprise or non-enterprise activities. An enterprise activity is a service for which fees can be charged such as sewer or water. Non-enterprise activities are services such as police, fire, street lighting which do not lend themselves to fees and are funded by property tax or assessments.

Since districts and other agencies in the study area were formed, voter passage of Proposition 13 in 1978 resulted in, among other changes, limiting local government property tax to 1% of assessed value and redistributing property tax proportionally, reducing property tax revenue to local agencies, and requiring reduction of service and/or cost recovery through fees and assessments where possible. Any new or enhanced services since require either raising taxes or fees or reducing costs

elsewhere to fund new or enhanced services. In addition, subsequent changes in State law set simple majority voter approval for general tax increases, two-third voter approval requirements for special taxes and requirements for public hearings and protest process for increases in sewer and water fees and assessments.

Background and context of types of service providers & local government finance: The Municipal Service Review provides a brief overview of service providers and is organized by type of municipal service, whether provided by the County of San Mateo, City of Half Moon Bay or independent special district. Given the number and variety of agencies that provide service on the Coastside, it is recommended that a narrative be included in agency overview that provides background to the reader on the nature of county, city and special district government and local government finance. This might include:

Counties:

Counties play a dual role in that counties administer State mandated programs such as administration, health services, human services and criminal justice while also providing municipal type services in diverse and non-contiguous unincorporated areas. In San Mateo County, these municipal-type community services include:

- Law enforcement (Sheriff)
- Fire protection in unincorporated areas not included in a fire district (via a contract with CalFire). All of the study area is included in Coastside Fire Protection District.

- Streets and street lighting as a public works function
- Sanitary sewer service (county-operated special districts governed by the Board of Supervisors and managed by the Department of Public Works)  
However, the County does not operate any sanitary districts in the study area
- Two small water systems (Pescadero & Sam McDonald Park)
- Park and recreation on a regional basis, in which the County Parks Department operates seven regional parks, as opposed to active park and recreation programs typical in cities. In recent years, county initiatives regarding park and recreation in the study area recognize the lack of facilities for active park and recreation and include acquisition of the 49-acre Mirada Surf property for park purposes and preparation of a park needs assessment on the unincorporated coast. New or enhanced level of park and recreation service would be dependent upon new funding sources such as taxes, assessments or fees and determination of which agency or agencies could best provide the service.

Cities:

In general, cities in California have incorporated to have local control over a broad type and level of municipal services provided to the community, in particular, public safety and active parks and recreation. Cities are not political subdivisions of the State.

Districts:

Municipal services are also provided by single- or multi-purpose special districts, which can either be independently governed or governed by the County Board of Supervisors or a city council.

The following table summarizes special districts on the coast.

<b>Agency<sup>1</sup></b>	<b>Type</b>
Coastside County Water District (1947)	Independent water district
Granada Sanitary District (1958)	Independent sanitary district
Montara Water & Sanitary District (1958)	Independent district that was formed as sanitary district and through special legislation was given all the powers of a county water district in anticipation of acquisition of the private water utility company serving the developed areas of the district
Granada Lighting District (1910)	Dependent or County-governed district formed to provide street lighting
Montara Lighting District (1913)	Dependent or County-governed district formed to provide street lighting
County Service Area No. 6 (1965)	Dependent or County-governed district formed to provide street lighting, landscape water & flood control in areas excluded from Montara and Granada Lighting Districts

Each special district is formed pursuant to enabling legislation that sets forth the set of services the agency can provide. Two types of special district enabling legislation provide for a broad set of municipal services community services districts which are independently governed, and county service areas which are governed by the board of supervisors have enabling legislation that allows them to provide all municipal type services. Other types of districts are either single-purpose districts or districts of limited powers.

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<sup>1</sup> The unincorporated Midcoast is also represented by the Midcoast Community Council, which is a locally elected advisory body to the Board of Supervisors.

**1. SERVICE PROVIDERS IN THE MIDCOAST AREA**

This Municipal Service Review was conducted for the Midcoast area only and includes local governments involved in the delivery of street maintenance, law enforcement, parks and recreation, water and wastewater, and street lighting. The local governments that were included in this review are presented in the table below.<sup>2</sup>

<b>City / County</b>	<b>Independent Special Districts</b>	<b>Dependent Special Districts</b>	<b>Joint Powers Authority</b>
Half Moon Bay	Coastside County Water District	County Service Area #6	Sewer Authority Mid-Coastside
San Mateo County	Granada Sanitary District Montara Water and Sanitary District	Granada Lighting District Montara Highway Lighting District	

A brief description of these governments is provided below.

- City of Half Moon Bay.** Half Moon Bay is a general law city. The City has a five-member City Council, was incorporated in 1959, and has an all-funds budget of \$25.1 million which includes General Funds of \$10.7, Enterprise \$4.06, Special Revenue Funds \$2.8, Capital Projects \$10.4, Internal Service Funds 1.04 and Debt Service \$3.16. (See budget summary) The City provides a full-range of municipal services including law enforcement, engineering, building inspection and plan checking, parks and recreation, land use planning, street maintenance, sewer (4,232 metered connections), finance, executive management, and legal services. The City also manages a contract for solid waste collection services. The City is one of three members of the Sewer Authority Mid-Coastside, a Joint Powers Authority, which provides wastewater treatment services. Of the City's \$10.7 million 2007-08 General Fund Budget, public safety (police) expenditures comprise 47% of general fund budget, followed by general government administration (22%), Public Works (12%), Planning, 11% and Recreation Services 10%. On the revenue side, the City's General Fund Revenue of \$10.3 million, with the largest revenue sources being Transient Occupancy Tax (29%), Property Tax (21%) and Sales Tax (20%).

<sup>2</sup> A Municipal Service Review for fire service was conducted separately and resulted in consolidation of the Half Moon Bay & Pt. Montara Fire Districts to form the Coastside Fire Protection District, which serves the entire study area.

To address on-going budget deficits, the City Council authorized a ballot measure for the June election, at which City voters will consider increasing the transient occupancy tax (TOT) by 2%. Like property tax revenues, TOT revenues are discretionary revenues that may fund general city services including but not limited to library, parks and recreation, police services, street improvements. If approved, the measure could augment general fund revenues by approximately \$620,000 per year that would mitigate on-going budget deficits.

The City has recently begun to grapple with a \$36.8 million judgment against the City related to a land use decision denying development of a 24-acre parcel. Since this report was first circulated, the City has reached a settlement with the developer that is contingent upon other events, including special legislation. Depending upon final outcome, an analysis will be made of how services might be impacted in order to pay the settlement amount and/or whether a voter approved tax or assessment would be proposed. The City is providing on going information to residents on status of the litigation on the City's website.

- **Unincorporated portion of the Midcoast area.** A mix of local governments deliver service in the unincorporated area - San Mateo County, independent special districts, dependent special districts, and a joint powers authority. The County of San Mateo, however, has jurisdiction over land use, police and roads, streetlights and drainage. The MidCoast Community Council, which is an elected advisory body, makes recommendations to the Planning Commission and Board of Supervisors on matters concerning the unincorporated Midcoast. Brief descriptions of the service providers in the unincorporated area are presented below.
  - **Coastside County Water District.** A five-member Board of Directors governs this independent special district. The District provides water services to customers located in Half Moon Bay and the unincorporated coastal communities of El Granada, Miramar and Princeton-By-The-Sea. The service territory encompasses approximately 14 square miles, 18,000 residents, and 6,731-metered connections. The FY 2007 / 08 budget amounts to \$6.2 million.

- **Granada Sanitary District** A five-member Board of Directors governs this independent special district. The District provides sewer and solid waste services to El Granada, Princeton-by-the-Sea, Miramar, and the northern portion of Half Moon Bay (from Frenchman's Creek north). The District is one of three members of the Sewer Authority Mid-Coastside, a Joint Powers Authority, which provides wastewater treatment services. The District is managed by an “on call” General Manager, a full-time District Administrator, and a half-time Administrative Assistant. The service territory encompasses approximately 6 square miles, 6,841 residents, and 2,489 metered connections. The FY 2007 / 08 budget amounts to \$1.8 million.
- **Montara Water and Sanitary District.** A five-member Board of Directors governs this independent special district. The District provides residents of Montara, Moss Beach, and adjacent areas located north of Half Moon Bay and south of Pacifica with water, wastewater and solid waste collection services. The District is one of three members of the Sewer Authority Mid-Coastside, a Joint Powers Authority, which provides wastewater treatment services. The service territory encompasses approximately 7 square miles, 4,903 residents, 1,890 metered sewer connections and 1,656 metered water connections. The District has a FY 2007 / 08 budget that of \$3.7 million.
- **County Service Area #6.** This is a dependent special district of San Mateo County governed by the Board of Supervisors. The District provides street lighting service to Princeton-by-the-Sea and includes 66 streetlights. The District has a FY 2007 / 08 budget that amounts to \$47,590.
- **Granada Lighting District.** This is a dependent special district of San Mateo County governed by the Board of Supervisors. This district includes 125 streetlights and serves El Granada and Miramar. The District has a FY 2007 / 08 budget that amounts to \$79,000.
- **Montara Highway Lighting District.** This is a dependent special district of San Mateo County governed by the Board of Supervisors. This district includes 204 streetlights and serves Montara and Moss Beach. The District has a FY 2007 / 08 budget that amounts to \$33,500.
- **Sewer Authority Mid-Coastside.** Half Moon Bay, Granada Sanitary District, and Montara Water and Sanitary District formed the Sewer Authority Mid-Coastside to provide wastewater treatment services to the three agencies. The Sewer Authority Mid-Coastside has a FY 2007 – 08 budget of \$3.9 million.

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- **San Mateo County.** The County provides law enforcement services and street maintenance services in the unincorporated portion of the Midcoast area and operates County Service Area No. 6, Granada Lighting District and Montara Lighting District as subsidiary districts. Other county services include planning, building and code enforcement, environmental health programs, and animal control. A five-member Board of Supervisors governs the County. Countywide responsibilities also include State mandated programs including Human Services, Health Services, Public Safety and Criminal Justice. The County has 5,777 employees and an all-funds budget in 2007 / 08 of \$1,648,248,306.

The services delivered by these local agencies in the Midcoast Area included in the Municipal Service Review are portrayed below.

<b>Provider</b>	<b>Street Maintenance</b>	<b>Street Lighting</b>	<b>Parks and Recreation</b>	<b>Water</b>	<b>Sewer</b>	<b>Solid Waste</b>	<b>Law Enforcement</b>
Half Moon Bay	✓		✓		✓	✓	✓
San Mateo County	✓		✓				✓
Coastside County Water District				✓			
Granada Sanitary District					✓	✓	
Montara Water and Sewer District				✓	✓	✓	
County Service Area #6		✓					
Granada Lighting District		✓					
Montara Highway Lighting District		✓					
Sewer Authority Mid-Coastside					✓		

## **2. POPULATION GROWTH PROJECTIONS**

Based on population data from the County of San Mateo Planning Department and the Association of Bay Area Governments, the following table presents the population estimates for the Midcoast area.

**Population Estimates, 2007**

<b>LOCATION</b>	<b>2007 Estimate</b>
Montara Census Designated Place (CDP)	3,198
Moss Beach CDP	2,020
El Granada CDP	5,934
<b>Total CDP:</b>	<b>11,152</b>
Half Moon Bay	12,308
<b>TOTAL</b>	<b>23,460</b>

The following is noted regarding the data contained in the table and population projections for the Midcoast area.

- Based on data provided by the County, the Midcoast area has experienced an increase in population of approximately 24% since 1990, from approximately 18,800 to approximately 23,500 residents.
- The Association of Bay Area Governments (ABAG), in their 2007 growth projections, projected that the population of the unincorporated area of the Midcoast would increase to 12,300 by the year 2035.
- The City of Half Moon Bay has experienced the most significant estimated growth from 1990 to 2007. However, Measure D, passed in 1999, limits population growth to a maximum of 1% per year, with the option of an additional increase of 0.5% growth in the Downtown Area. The Association of Bay Area Governments (ABAG), in their 2007 growth projections, project that the population of Half Moon Bay would increase to 15,700 by the year 2035.
- The estimated residential population for the Midcoast area is projected in 2035 at 28,000 residents, an increase of 13.8% over 2007 population estimates. This is based upon the Association of Bay Area Governments (ABAG) growth projections prepared in 2007 and does not reflect existing constraints including Montara Water and Sanitary District moratorium on new water connections or Coastal Commission prohibition on expansion of Coastside County Water District service area.

While the population in Half Moon Bay and the unincorporated area of the San Mateo County coastside will continue to increase, it is important to note that the population projections do not take into consideration water or sewer infrastructure and supply constraints discussed in subsequent sections of this report. Meeting growth demands, whether as part of a city or county's general plan land use designation or regional housing needs allocation is dependent upon, among other factors, adequate water and sewer infrastructure and capacity/supply.

### **3. PARKS AND RECREATION**

This chapter of the report provides a Municipal Service Review of the San Mateo County Midcoast area local governments involved in parks and recreation service delivery.

#### **1. THERE ARE TWO LOCAL GOVERNMENTS THAT PROVIDE PARK AND RECREATION SERVICES TO THE SAN MATEO COUNTY MIDCOAST AREA.**

The following two local governments provide park and recreation services to the communities within the San Mateo Midcoast area.

- **City of Half Moon Bay.** The Public Works Department delivers parks and recreation services in Half Moon Bay. The Recreation Division, within the department, is authorized four staff: a Recreation Services Manager, a Recreation Supervisor, an Administrative Assistant to the Department Head, and an Administrative Assistant. The Recreation Division provides a variety of activities for the residents of all ages and interests including instructional classes, youth and adult sports, teen activities, day camps, special needs programs, citywide special events, and a summer aquatics program. Residents of the City and the unincorporated area can register for these classes on-line. The Recreation Division operates a community center (the Ted Adcock Community Center) located at 535 Kelly Avenue. The center is open six days a week. The FY 2007-08 budget for the Division is \$1,091,459; its cost recovery, in terms of revenue the Division generates, is 40.2%. The Building and Park Maintenance Division, within the Public Works Department, is responsible for maintaining the City's parks, grounds, facilities, street and park trees, and streets. The Division is

authorized ten staff for maintenance of these assets including a Maintenance Supervisor, seven Maintenance Workers, and two Custodians. The FY 2007-08 budget for the Division is \$728,358. Half Moon Bay has an adopted Parks and Recreation Element of its General Plan. The element was adopted in 1990, and revised in 1995. It updated its Park Master Plan in 2007.

- **The San Mateo County Parks Department.** The San Mateo County Parks Department is responsible for providing regional passive recreation opportunities, and protecting and restoring natural resources within the County park system. The department currently operates 17 parks, three regional trails several county and local trails accounting for 15,680 acres. two of these parks, Fitzgerald Marine Reserve and Quarry Park, are located in the coastside area of San Mateo County. Dave please fix this: The annual operating budget for the two parks is approximately \$300,000 annually. The County adopted a General Plan in 1986 that includes Park and Recreation Resources. The County's program for park and recreation has historically been focused on passive recreation and parkland restoration,. However, the County's 2002 Mid-Coast Recreational Needs Assessment recognizes the need for active park and recreation programs and services on the unincorporated Midcoast. In 2007, the County completed the Midcoast Recreation Action Plan that identifies specification actions to support both active recreation programming and infrastructure improvements. The Count Parks Department continues to work with the Community, the school district and City of Half Moon Bay on how park and recreation needs can be met as well as identifying additional funding necessary for new facilities and programs. An initiatives that responds to facilities needs is the County of San Mateo acquisition of 49 Acre Mirada Surf for Park and Recreation purposes

## **2. INFRASTRUCTURE NEEDS OR DEFICIENCIES.**

In evaluating infrastructure needs and deficiencies, there are a number of factors that can be considered including such factors as the condition of the infrastructure, infrastructure capabilities to accommodate future development, location of existing facilities and / or planned facilities, etc.

The City of Half Moon Bay has 24 acres of developed parks. Smith Field, leased by the City of Half Moon Bay, is a 15-acre developed park, with five baseball fields used for youth and adult softball and youth baseball. The City also has agreements which permit use of school playfields. The table, below, presents the developed park

acreage. These are neighborhood or community parks as designated in the City's general plan.

Park	Developed Acreage
Carter Park	1.10
Fernandez Park	0.20
Frenchman's Creek Park	3.77
Kehoe Park	0.15
Mac Dutra Park	0.09
Oak Avenue Park	3.24
Ocean View Park	0.45
Smith Field (Leased)	15.00
<b>TOTAL</b>	<b>24.00</b>

In addition, the Coastside Community Park and Half Moon Bay Community Park are currently undeveloped, are planned park facilities.

The City's General Plan proposed a standard of 8 acres per 1,000 residents. As the General Plan noted, this proposed standard fell halfway between the six to ten acre range suggested by the *National Recreation and Park Association*. The general plan did not include school grounds as part of this standard due to limitations in their use. The general plan did not include regional parks in this standard.

The County has two regional parks in the unincorporated portion of the San Mateo County Midcoast area, Fitzgerald Marine Reserve and Quarry Park. In addition, the County owns the 49-acre Mirada Surf property, acquired for park purposes. The Parks Department allocates two staff – two Park Rangers – to the operation of the Fitzgerald Marine Reserve. The Quarry Park is operated by the Midcoast Park Lands<sup>3</sup> in a partnership with the County. These two facilities are described below.

Park/Facility	Description of the Park
Fitzgerald Marine Reserve (Regional visitor-serving)	<ul style="list-style-type: none"> <li>Size of the park is 45 acres (20% developed including parking lot, trails, stairways, visitor lot).</li> </ul>

<sup>3</sup> Midcoast Parklands is a volunteer, donor-funded, non-profit organization.

	<ul style="list-style-type: none"> <li>• This park is identified as a regional park in the <i>Mid-Coast Recreational Needs Assessment</i>).</li> <li>• The capacity of the park is 100 persons at any one time</li> <li>• Reservations for groups of more than 10 people are needed.</li> </ul>
Quarry Park	<ul style="list-style-type: none"> <li>• Size of the park is estimated at 39.5 acres (4 acres identified as a neighborhood park in the <i>Mid-Coast Recreational Needs Assessment</i>).</li> <li>• Spend on average of \$30,000 annually on park maintenance.</li> <li>• This park is identified as a neighborhood park and open space area in the <i>Mid-Coast Recreational Needs Assessment</i>).</li> <li>• Mostly steep topography with eucalyptus forest, and vehicular access through a residential area of El Granada limit the extent of development of the site.</li> </ul>

As the table indicates, these two regional parks provide a total of 4 acres of neighborhood parkland, and 890 acres of parking, visitors' center, open space and trails. The County does not provide playfields for organized sports in the unincorporated area

Half Moon Bay and the unincorporated portion of the San Mateo County urban coastside area do not meet the standards for park acreage adopted by the *National Recreation and Park Association*. Based upon the standards adopted by the National Recreation and Park Association, Half Moon Bay should have approximately 74 to 123 acres of developed parks. This compares to the existing 24 acres of developed parks. The City of Half Moon Bay operates the Ted Adcock Community Center,

The unincorporated portion of the San Mateo County Midcoast area should have approximately 67 to 111 acres of developed park acres. This compares to the existing 4 acres of developed parks. It should be noted that while additional neighborhood parks are needed, the Midcoast has extensive acreage of open space and trails. Due to the age of existing communities and the urban/rural nature of the Midcoast, a comparison of

developed parkland to cities on the bayside is not appropriate. The unincorporated portion of the Midcoast does not have a community center.

Other Providers:

The City of Half Moon Bay and unincorporated area include significant managed areas, identified in the County's 2007 action plan as recreation resource areas. These are large open space or nature recreation areas. In addition the GGNRA plans to begin a slow expansion by provide the 6000+ acres of Corrales de Tierra as a light intensity but very prominent natural recreation resource. In addition Peninsula Open Space Trust (POST) has three large parcels which are intended to transition to County or City management over the next twenty years. County Parks is demonstrates a history well equipped by history and resource base of managing these types of resources, while Half Moon Bay programs have historically emphasized active recreation. The following table, highlights the difference in staff resources and facilities and the complementary nature of county and city capabilities and challenges. The table also highlights the lack of neighborhood park and play field resources in the county areas.

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	Current / Future Acres	
<b>City of Half Moon Bay</b>		
<b>Neighborhood Parks</b>		
Carter Park	Cur	1.1
Fernandez Park	Cur	0.2
Frenchman's Creek Park	Cur	3.77
Kehoe Park	Cur	0.15
Mac Dutra Park	Cur	0.09
Oak Avenue Park	Cur	3.24
Ocean View Park	Cur	0.45
Poplar Park	Fut	
TOTAL		9

<b>Playfields</b>		
Smith Field	Cur	15
Sea Crest	Cur	
Cunha Middle School	Cur	
HMB High School	Cur	
Pilarcitos	Fut	20

<b>Recreation Resource Areas</b>		
Surfers Beach	Cur	10
Pilarctos	Fut	25
Wavecrest	Fut	200

<b>Community Center</b>	Cur	
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<b>Staff</b>		
Program Operation Resources	Yes	
Resource Area Operations	No	

	Current / Future Acres	
<b>San Mateo County</b>		
<b>Neighborhood Parks</b>		
Moss Beach Community Park	Cur	2
Quarry Park Meadow/Tot Lot	Cur	3
Fitzgerald Visitor Area	Cur	1.5
El Granada Avenues	Fut	
TOTAL		6.5

<b>Playfields</b>		
Farallone View School	Fut	
El Granada School	Fut	

<b>Recreation Resource Areas</b>		
Fitzgerald	Cur	45
Quarry Park	Cur	39
Pillar Marsh	Cur	15
Pillar Point	Cur	10
Mirada Surf	Cur	49
Pillar Bluffs	Fut	140
Wicklow	Fut	500
Burnham Strip	Fut	8

<b>Community Center</b>	Fut	
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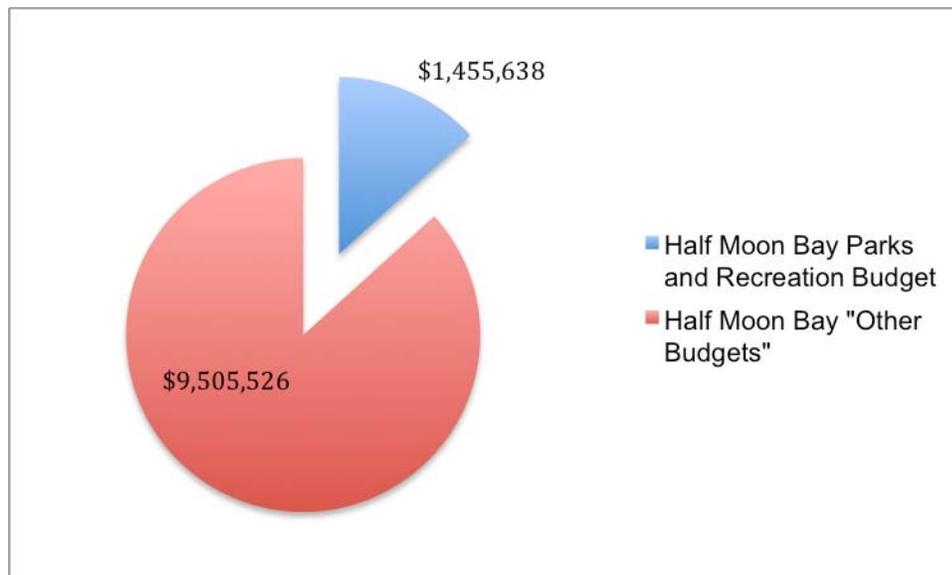
<b>Staff</b>		
Program Operation Resources	No	
Resource Area Operations	Yes	

**FINANCING CONSTRAINTS AND OPPORTUNITIES.**

The following information provides our project team's review of financing constraints and opportunities facing Half Moon Bay and the unincorporated portion of the San Mateo County Midcoast area. In identifying these constraints and opportunities, the project team considered the level of funding available for the delivery of park and recreation services, service-related financing constraints and opportunities including revenue sources, financing constraints, development impact and parks in-lieu fees.

**(1) The FY 2007-08 Budget for Parks and Recreation in Half Moon Bay Amounts to \$1.45 Million.**

The City of Half Moon Bay expends approximately 13% of the City's budget on park and recreations services. This is reflected in the pie chart below.



**SAN MATEO COUNTY LAFCO**  
**Midcoast Area Municipal Service Review**  
**May 9, 2008**

The FY 2007 – 08 annual budget for recreation services is presented in the table below. This presents both the expenditures and revenues for recreation services.

	<b>Actual 2005-2006</b>	<b>Actual 2006-2007</b>	<b>Adopted 2007-2008</b>
<b>Expenditures</b>			
Salary & Benefits	\$542,088	\$578,723	\$667,819
Supplies & Materials	\$121,524	\$128,140	\$141,090
Contract Services	\$192,717	\$211,905	\$223,500
Inter-fund Transfers	\$45,150	\$58,450	\$59,050
<b>Total Expenditures</b>	<b>\$901,479</b>	<b>\$977,218</b>	<b>\$1,091,459</b>
<b>Revenues</b>			
City Notes Advertising	\$791	\$4,000	\$4,500
Contract Classes	\$190,481	\$211,000	\$223,000
Gymnastics	\$342	\$-	\$-
Special Events	\$860	\$900	\$950
Teen/Youth Events	\$16,279	\$-	\$500
Sporting Events	\$-	\$13,000	\$16,000
Summer Camp	\$62,881	\$64,000	\$83,000
Swimming	\$29,279	\$27,100	\$30,200
Community Center Facility Fees	\$22,500	\$26,000	\$28,000
Parks Facility Rental	\$2,863	\$4,200	\$4,400
SMC-Contribution	\$20,000	\$10,000	\$10,000
<b>Total Revenues</b>	<b>\$346,276</b>	<b>\$360,200</b>	<b>\$400,550</b>

As the table indicates, the City is expending a little over \$1 million for recreation services. However, the City reports cost recovery of 40.2%. The largest components of this revenue consist of contract classes and summer camp. The City does charge an additional \$5 fee for participants in these programs that do not live within the City of Half Moon Bay. Out of 2,243 registrations for Half Moon Bay Recreation classes in 2007, 1,438 were non-resident and 805 were resident or approximately 65% non-resident and 35% resident.<sup>4</sup> In addition the County of San Mateo contributes \$10,000 annually toward senior programs at the Ted Adcock Center.

<sup>4</sup> e-mail, Mike Blondino, 5/7/08

The table below presents the annual budget for parks and building maintenance services for Half Moon Bay.

<b>Expenditures</b>	<b>Actual 2005-2006</b>	<b>Actual 2006-2007</b>	<b>Adopted 2007-2008</b>
Salary & Benefits	\$280,645	\$327,386	\$351,828
Supplies & Materials	\$180,446	\$157,680	\$146,580
Contract Services	\$67,610	\$56,640	\$170,000
Inter-fund Transfers	\$56,150	\$59,950	\$59,950
<b>Total Expenditures</b>	<b>\$584,851</b>	<b>\$601,656</b>	<b>\$728,358</b>

The project team estimates that approximately one-half of this annual budget, or approximately \$364,179 in FY 2007-08, consists of park maintenance services.

Altogether, the City of Half Moon Bay is expending a total of approximately \$1,455,638 for park and recreation services in FY 2007 – 08. Altogether, the general fund of the City provides a net contribution, or general fund subsidy, to the City’s parks and recreation services of \$1,055,088 in FY 2007 – 08 for park and recreation services, considering the amount of revenue generated by these services.

Expenditures by Half Moon Bay for parks and recreation services amounts to \$113 per capita. This falls at the lower end of the range for many other park and recreation departments in San Mateo County: higher than Daly City and Pacifica for example, but lower than San Mateo, Foster City, Burlingame, San Carlos, and Redwood City.

The City has a park facilities special revenue fund. The fund was established to account for proceeds of construction and development fees, whose purpose is the acquisition, development, improvement, and expansion of parks and recreational areas. The fund also accounts for operations of the public library, funded by contributions from the City and the San Mateo County Library Joint Powers Authority.

There were not any significant park capital project expenditures budgeted in FY 2007-08 by the City.

**(2) San Mateo County Is Spending Approximately \$300,000 Annually for Park and Recreation Services for the Unincorporated San Mateo County Midcoast Area.**

The County Parks Department allocates two Park Rangers to staff the Fitzgerald Marine Reserve – a regional park/resource. In addition, the department expends approximately \$30,000 annually on the maintenance of Quarry Park. Altogether, the expenditures amount to approximately \$300,000 annually for park and recreation services for the unincorporated portion of the San Mateo Midcoast area.

The County also requires developers to dedicate land for parks, pay a fee in-lieu of dedication, or both depending on project size and the County's discretion. The fee applied to new residential and remodeling where additional living space is added. The County has a limited number of capital projects budgeted for the Midcoast area including Fitzgerald Seal Cove Trail Stairway, Mirada Surf section of Coastal Trail and partial implementation of the Midcoast Action Plan. These projects are budgeted at \$800,000 for Fiscal Year 2008-2009.

**4. COST AVOIDANCE OPPORTUNITIES.**

Cost avoidance opportunities consider such issues as the opportunity for joint agency practices, duplication of services, the impact of service practices and / or facilities in relation to service cost, opportunities for savings in overhead, etc. As illustrated in the preceding section, the focus and strength of City of Half Moon Bay as demonstrated in program and budget is active recreation and neighborhood parks and

the County demonstrates a focus and strength in recreation resource/passive recreation areas. This demonstrates the complimentary of practices of the two agencies.

There has been much discussion regarding the methodology and approach for the delivery and funding of park and recreation services in the unincorporated portion of the San Mateo County Midcoast area. This includes such actions as the following:

- In 1994, the County took steps to form a community services district on the coast. Two measures for park development were placed on the ballot. The vote to form the District was successful, but the vote on a tax assessment failed. The District was never formed.
- The Granada Sanitary District sought re-organization as a Community Services District with expanded powers *for* park and recreation services. These expanded services would have been for their service area in the unincorporated areas of District boundaries, recognizing that the portion in the City is served by Half Moon Bay. The District withdrew their application but continues to support Granada Sanitary District provision of park and recreation services. Recent comments include ability of the District to allocate a portion of property tax revenues the District receives to fund park and recreation services.
- In 2004, the Mid-Coast Park and Recreation Task Force recommended to the San Mateo County Board of Supervisors the creation of Midcoast Park and Recreation District for the delivery of recreation and park services in the unincorporated Midcoast communities. The Task Force recommended the combination of sites, a locally elected governing board for a Midcoast Park and Recreation District, and a local tax to pay for these services. It should be noted that the Task Force recommended “the Board request further consideration of the relationship of this effort to the various intervening developments (El Granada Sanitary, Montara Water and Sanitary, Moss Beach Park, and a county-wide park district with assessment). This matter could also be forwarded to LAFCO for consideration of how best to meet the park and recreation needs of the Midcoast.”

Each of these efforts would have resulted in a second provider of recreation services in a community with a 2007 population of 23,460 (half Moon Bay and unincorporated Midcoast area) with a travel distance of 8 miles from Half Moon Bay to Montara.

A comparable recommendation was made in the County's *Recreational Needs Assessment* for the Midcoast. The needs assessment noted "this again points out the need to collaborate with and complement any new recreational programming with Half Moon Bay's offer to provide that critical mass of participants to achieve a financially viable program. Achieving maximum public benefit in all programming with limited resources will be an ongoing challenge."

Despite the time and effort by the County and its residents over these past fourteen years, the situation remains unchanged. The only active recreation program provider for the residents of the unincorporated area of the Midcoast is the City of Half Moon Bay. As noted above, 65% of participation in City of Half Moon Bay programs is by non-residents. Contingent upon additional funding sources, expanded services in the unincorporated areas may best be delivered by expanding the programs and facilities already provided by the City of Half Moon Bay to target the needs of the unincorporated area by agreement between the County and the City. Similarly, the challenge of managing large acreage recreation resources areas may be best managed by the County.

## **5. OPPORTUNITIES FOR RATE RESTRUCTURING.**

Rate restructuring opportunities consider such issues as the local governments methodology for determining rates, the availability of revenue enhancement opportunities, the cost of services versus fees, etc.

The City of Half Moon Bay achieves a 40.2% cost recovery for the recreation services delivered by the City. Based on experience with other cities, the recovery level

for city park and recreation departments ranges from 20% to 45% cost recovery including indirect costs. Considering that no pricing policies or cost recovery methodology had been in place, the City is well positioned as far as cost recovery is concerned in relation to like recovery rates. However, in light of the continuing pressures from the economy, State of California, and requests for services, the Recreation Division could develop a formal cost recovery policy for consideration of the City Council, and continue to take a close look at ways to insure that the delivery of recreational services to the community are in line with City Council goals for cost recovery. This might include evaluation of best practices in setting resident and non-resident fees.

The County and the City both charge park development impact fees (or park in lieu fees) to fund the acquisition and development of park and recreation facilities. Both the fees charged by the County and the fees charged by the City are low in comparison to their peers in the County.

## **6. OPPORTUNITIES FOR SHARED FACILITIES.**

Half Moon Bay already leverages a significant number of non-City-owned facilities to deliver recreation services. These include such facilities as noted below:

- Alvin S. Hatch elementary school;
- Half Moon Bay High School;
- Sea Crest School; and
- Pillar Point Harbor.

The City has developed and adopted a formal written agreement with Sea Crest school regarding the use of the facilities at the school by the City. This allows the City to

use of the school gymnasium with a fixed schedule of 70 hours per month for recreational classes (jazzercise, fencing, Special Olympics, adult drop-in basketball, summer camps) and for operation of sports camps on the school site during the February, April, and summer holidays.

The City has not yet adopted a formal written agreement with the Cabrillo Unified School District for the use of the district's facilities for the delivery of recreation services.

There are also a number of Cabrillo Unified School District school facilities in the unincorporated Midcoast area of San Mateo County. These school sites and their available recreation facilities are presented below.

School	
Farallone View	3.7 acres passive greenspace 2 softball fields 1 paved court (1,800 s.f.) 2 paved basketball courts 1 handball court 2 small child play areas
El Granada	.2 acres greenspace 2 softball fields 1 paved volleyball field 2 passive hard courts 2 basketball courts 1 handball court 2 small child play areas

The County does not have a joint use agreement for the use of Cabrillo Unified School District school facilities including Farallone View and El Granada schools.

Half Moon Bay has a community center. The *Mid-Coast Recreational Needs Assessment*, and subsequent 2007 Action Plan recommended a community center for the unincorporated portion of the San Mateo County Midcoast area. This would result in two community centers to serve a population of 23,460 at present. Based on

comparative data from other cities, the addition of a second community center in the Midcoast area would result in a higher level of service for the existing or projected 2025 population than other cities.

## **7. EVALUATION OF MANAGEMENT EFFICIENCIES.**

This section provides an evaluation of management efficiencies at the park and recreation service providers – Half Moon Bay and San Mateo County. This section considers their effectiveness in providing efficient, quality public services. Efficiently managed agencies are deemed those that consistently implement plans to improve service delivery, eliminate duplications of effort, contain costs, maintain qualified employees, and build and maintain adequate contingency reserves.

Half Moon Bay provides efficient and effective park and recreation services. This is apparent based upon a number of factors as discussed below.

- The City has recently updated its park master plan.
- The City has developed a master plan for Community Park that involved the community in its development.
- The Recreation Division publishes its Activity Guide to its web site.
- The Recreation Division is utilizing school facilities to enhance the cost effectiveness of its service delivery.
- Residents can register for recreation classes on-line.
- The per capita expenditures by the City for park and recreation services tend to be at the lower end of the range compared to many other cities in the County, in part due to significant participation by non-residents.

The County of San Mateo is a regional park and recreation provider. In regard to services provided on the Midcoast, the County allocates two staff to the delivery of recreation services in the study area. Park efforts Specific to the Midcoast park and recreation needs include:

- The County completed a *Mid-Coast Recreational Needs Assessment* in October 2002 and an Action Plan in 2007.
- While there has not been continuity in the past in planning and managing program, neighborhood park and playfield needs of this area, the committee that developed the 2007 Plan remains in place and can provide continuity for planning and priority review.
- The Board of Supervisors have completed a Visioning Project to help shape the County's future including the delivery of park and recreation services.
- While the County Parks Department is responsible for providing regional passive recreation opportunities, and not for providing "city-type" park and recreation services the County recognizes the need for park and recreation services and facilities and lack of funding and is actively working with the Community and other agencies on potential solutions.

## **5. STREET MAINTENANCE**

This chapter of the report provides a services overview for the local governments involved in street maintenance in the San Mateo County Midcoast area.

### **1. THERE TWO LOCAL GOVERNMENTS PROVIDING STREET MAINTENANCE AND STREET LIGHTING SERVICES IN THE SAN MATEO COUNTY MIDCOAST REGION.**

Two local governments provide street maintenance services to the communities within the San Mateo County Midcoast area: Half Moon Bay and San Mateo County. Descriptions of these services are presented below.

- **San Mateo County.** The County's Road Services and the County's Engineering Services divisions are responsible for the maintenance and repair of the road system in the unincorporated San Mateo Midcoast area. This includes such communities as Montara, Moss Beach, Princeton, Miramar, and El Granada. The primary role for the Road Services Division includes maintenance of roadways, associated landscape areas, and storm drains. The Road Maintenance Supervisor and four maintenance workers are dedicated to the maintenance and repair of this infrastructure in the unincorporated Midcoast area. This staff is assigned to a County road station in Princeton. In addition, two other crews are allocated to the maintenance and repair of roads infrastructure in the unincorporated area as required: a concrete crew and a construction crew. These two crews are countywide crews, and their operations are not limited to the unincorporated Midcoast area. These crews are responsible for construction and installation of sidewalks, signs and road markings, patching streets, sign replacements, and painting. The primary role for the Engineering Services Division is the management of nearly all street improvement work that is contracted out, such as slurry seals, chip seals and paving projects. Overall, there are 47 centerline miles of paved roads in the unincorporated Midcoast area. San Mateo County generally does not maintain creeks or channels, or sewers or water distribution systems. Creeks and channels are the responsibility of the private property owners over which they flow. In most instances, the County only maintains the pipes that cross underneath the roads and those portions of the channels within a few feet of these pipes. Sewer and water system maintenance are the responsibility of the independent service districts.
- **Half Moon Bay.** The Public Works Department delivers the street maintenance services in Half Moon Bay. The Building and Park Maintenance Division, within the department, is responsible for maintaining the City's streets, parks, grounds and facilities, street and park trees and street signs and traffic control painting. The Division is authorized eleven staff for maintenance of these assets including a Maintenance Supervisor, seven Maintenance Workers, two Custodians, and an Administrative Assistant to the Department Head. Street maintenance services include maintenance of City streets and rights-of-ways, including pavement, curb, gutter, sidewalks, streetlights, traffic signs and traffic control painting. The staff will also, as necessary, maintain, rehabilitate and repair the wastewater collection system when these services are not provided by SAM. The staff maintains 28 centerline miles of roads.

The County and Half Moon Bay are each required by State law to prepare a General Plan and periodically update it. The General Plan includes a Circulation Element that provides information on existing conditions and future plans for the roadways in their jurisdiction, factoring in growth and land use policy. Half Moon Bay

adopted its Circulation Element in 1992. San Mateo County adopted its Circulation Element in 1986.

In addition to these General Plans, the County has developed a Countywide Transportation Plan. The existing Countywide Transportation Plan was prepared in 2001. The Countywide Transportation Plan addresses existing and future transportation problems, potential solutions and identifies both the funding and policies necessary to meet the needs of all of San Mateo County. The Countywide Transportation Plan noted that eastern Highway 92 was one of the most congested corridors in the County, and that the most significant increase in congestion from 1990 to 2010 would occur on two highways, one of which was westbound Highway 92 in which congestion was projected to increase by 218%. The other highway that was expected to experience the most significant increase was Highway 1, in which congestion was projected to increase by 197%. These increases were projected by the Countywide Transportation Plan to occur “due to the anticipated levels of new development on the Coastside and the continued pattern of Coastsiders out-commuting to jobs in San Francisco and on the Bayside.” The Countywide Transportation Plan recommended a number of improvements for Highway 92 including new mixed flow lanes for westbound Highway 92. Highway 92 has since been widened between Highway 35 to Pilarcitos Creek, which included the addition of an uphill climbing lane, a concrete median divider and widening the shoulders for safety. Highway 92 is now being widened from the Half Moon Bay city limits to Pilarcitos Creek.

## **2. INFRASTRUCTURE NEEDS OR DEFICIENCIES.**

In evaluating infrastructure needs and deficiencies, there are a number of factors that can be considered including such factors as the condition of the infrastructure, infrastructure capabilities to accommodate future development, location of existing facilities and / or planned facilities, etc.

The condition of road and street infrastructure is a factor of infrastructure preservation funding and levels of service. Two management tools that are used by the County and Half Moon Bay are a Pavement Management Program and a Pavement Condition Index. A Pavement Management Program serves as a master plan and identifies maintenance needs, pavement condition, and projected costs. A Pavement Condition Index (PCI) is generated by an inventory of street and road segments and an evaluation of their present condition that reflects the weighted average condition of all road segments for which an agency bears maintenance responsibility. A PCI of 75 or more is considered to be very good condition, PCI of 60-74 is good condition, PCI of 45-59 is fair condition, and PCI below 45 is poor condition.

An agency's average PCI can easily fluctuate over a given time period due to funding availability, weather, and the amount of deferred maintenance.

The Metropolitan Transportation Commission reported the PCI for the streets in Half Moon Bay as 55 (or in fair condition), and as 65 (or in good condition) for all of the

unincorporated roads in San Mateo County.<sup>5</sup> The County, however, reported that the PCI for unincorporated roads in the Midcoast area was 54 (or fair condition).

The Metropolitan Transportation Commission (MTC) estimated the cost of addressing the pavement backlog in San Mateo County in 2005-06<sup>6</sup>. MTC estimated that the pavement backlog in the incorporated County amounted to \$31,447,598 or \$99,517 per centerline mile of road; this would result in a pavement backlog of \$4,677,299 for the unincorporated portion of the Midcoast area (allocating the backlog proportionately based upon the centerline miles in the unincorporated Midcoast area in comparison to all of the centerline miles in the unincorporated area of the County). MTC estimated that the pavement backlog in Half Moon Bay amounted to \$14,656,671 or \$523,452 per centerline mile of road.

The County and Half Moon Bay face a significant backlog of deferred maintenance for their street and road system. In fact, the 2007-08 budget for Half Moon Bay states “the Pavement Management Program budget is only adequate to fund about one-seventh of the needed road repairs.”

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<sup>5</sup> Metropolitan Transportation Commission, Pavement Condition Index (PCI) for Bay Area Jurisdictions, 2006.

<sup>6</sup> Metropolitan Transportation Commission, Bay Area Street and Road Needs by Jurisdiction, FY 2005-06.

### **3. FINANCING CONSTRAINTS AND OPPORTUNITIES.**

In evaluating financing constraints and opportunities, there are a number of factors to consider including appropriate financing / funding practices, the potential for shared financing and / or joint funding applications, opportunities for additional revenue streams, etc.

The Public Policy Institute noted in its 2005 publication, *California 2025; Taking on the Future*, that “although the overall level of spending on highways and roads is now comparable to that of the earlier period [1967], less of this money is now spent on construction and more is spent on operations. In 1967 and 2002, the combined capital and operating expenses for highways and roads totaled \$315 and \$332 per capita, respectively. In 1967, \$231 went to capital, versus only \$156 more recently.”<sup>7</sup>

#### **(1) Revenue for Streets and Roads Maintenance**

The most significant sources for revenue of street maintenance services for Half Moon Bay and the County are gas taxes, the County’s transportation sales tax (Measure A), general fund revenues, and federal and State funds. Capital project financing sources include Federal and State funds, development requirements, etc.

A breakdown of the revenue budgeted by Half Moon Bay for the Streets and Roads special revenue fund in 2007-08 and the two previous fiscal years is presented in the table below.

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<sup>7</sup> Public Policy Institute, *California 2025: Taking on the Future*, 2005.

**Half Moon Bay Streets and Roads Fund Revenue**

<b>Revenue Source</b>	<b>2005-06 Actual</b>	<b>% of Total</b>	<b>2006-07 Projected</b>	<b>% of Total</b>	<b>2007-08 Budget</b>	<b>% of Total</b>
Interest	\$41,711	4.3%	\$57,000	5.6%	\$58,000	3.7%
Measure A	\$214,473	22.3%	\$217,700	21.3%	\$220,900	14.3%
Gas Tax	\$245,103	25.4%	\$245,000	24.0%	\$245,000	15.8%
Transient Occupancy Tax	\$400,000	41.5%	\$400,000	39.1%	\$400,000	25.8%
AB 1546 Co. Motor Vehicle Fees	\$5,199	0.5%	\$11,000	1.1%	\$11,200	0.7%
Proposition 42 State Transportation	\$56,632	5.9%	\$90,944	8.9%	\$-	0.0%
State Transportation Grants	\$-	0.0%	\$-	0.0%	\$113,000	7.3%
Local Transportation Grants	\$-	0.0%	\$-	0.0%	\$500,000	32.3%
Miscellaneous	\$-	0.0%	\$200	0.0%	\$200	0.0%
<b>TOTAL</b>	<b>\$963,118</b>	<b>100.0%</b>	<b>\$1,021,844</b>	<b>100.0%</b>	<b>\$1,548,300</b>	<b>100.0%</b>

As the table indicates, the general fund has been an important source of funding for the Streets and Roads Fund. Transient and occupancy revenue in two of the three fiscal years comprised approximately 40% of all revenues for this fund. Gas tax revenue, in two of the three fiscal years, has comprised only 25% of all revenues for the fund. Measure A funds have comprised a little more than 20% of the revenues for this fund in two of the three years. In fiscal year 2007-08, local transportation grants for trails and pathways will provide almost 40% of the revenue for the fund or \$613,000. These grants are the cause of the increase in revenue for the fund in 2007-08.

Half Moon Bay, in 2007-08, was budgeted to receive \$33,403 per centerline mile in revenue for its Streets and Roads special revenue fund.

The County, on the other hand, did not allocate general fund revenue to its Road special revenue fund in 2007-08. The table below presents the revenue for 2007-08 and the two previous fiscal years for the Road special revenue fund. This represents countywide revenue, not just the unincorporated Midcoast area.

**County Road Special Revenue Fund Revenue**

<b>Revenue Source</b>	<b>2005-06 Actual</b>	<b>% of Total</b>	<b>2006-07 Actual</b>	<b>% of Total</b>	<b>2007-08 Adopted</b>	<b>% of Total</b>
Licenses and Permits	\$-	0.0%	\$-	0.0%	\$90,000	0.4%
Use of Money and Property	\$283,808	1.5%	\$328,000	1.6%	\$203,500	0.9%
Intergovernmental Revenues	\$15,426,121	83.3%	\$18,096,000	90.1%	\$19,424,140	87.8%
Charges for Services	\$698,252	3.8%	\$587,000	2.9%	\$667,042	3.0%
Interfund Revenue	\$774,383	4.2%	\$1,005,000	5.0%	\$1,577,360	7.1%
Miscellaneous Revenue	\$1,345,477	7.3%	\$75,000	0.4%	\$158,000	0.7%
<b>TOTAL</b>	<b>\$18,528,041</b>	<b>100.0%</b>	<b>\$20,091,000</b>	<b>100.0%</b>	<b>\$22,120,042</b>	<b>100.0%</b>

As the table indicates, the largest source of revenue for the Road special revenue fund was intergovernmental revenue, which comprised 87.8% of the total revenue. The County, in 2007-08, was budgeted to receive \$70,000 in revenue per centerline mile; this would result in approximately \$3,290,000 in annual revenue for the unincorporated portion of the Midcoast area (allocating the revenue proportionately based upon the centerline miles in the unincorporated Midcoast area in comparison to all of the centerline miles in the unincorporated area of the County).

The County and Half Moon Bay receive revenues for streets and roads from a variety of different sources as portrayed below.

- **State Gas Tax.** The State retains about 65% of the revenue from the state gas tax, with the remainder distributed to counties and cities for local streets and roads. The California State Constitution (Article XIX) restricts the use of state gasoline tax revenues for certain purposes. These monies may only be used to plan, construct, maintain, and operate public streets and highways; and to plan, construct, and maintain mass transit tracks and related fixed facilities (such as stations). The gasoline tax revenues cannot be used to operate or maintain mass transit systems or to purchase or maintain rolling stock (trains, buses, or ferries). There are four formulas used to distribute state gas tax funds to California cities.
  - §2105 of the California Streets and Highways Code allocates 11.5% of revenues in excess of 9 cents per gallon based on population.
  - §2106 allocates revenues equal to 1.04 cents per gallon to cities primarily based on population.

- §2107 allocates revenues equal to 1.315 cents per gallon primarily based on population, with additional funds allocated to cities with snow removal costs.
- §2107.5 allocates additional funds based on population to be used exclusively for engineering costs and administrative expenses related to city streets.

Counties receive most of their gas tax funding under §2104 of the California Streets and Highways Code.

- **Measure A.** In 1988, County voters approved Measure A. A total of 20% of the funds generated by Measure A are allocated to local cities and San Mateo County for improvements to local transportation. The funds are distributed on a formula, based on population and the number of road-miles, to the cities and the County. Half Moon Bay has received a total of \$2,341,232 as of 2004-05 in Measure A funds, while the County had received \$20,835,315. These funds can be used to maintain local streets and roads by paving streets, repairing potholes and sidewalks, promoting and/or operating alternative modes of transportation such as shuttles, carpools, bicycle and pedestrian programs, and developing and implementing traffic operation and safety projects.
- **General Fund.** General fund revenues, including vehicle license fees, are an important source of revenue for Half Moon Bay's Street and Roads Fund. However, these revenues amount to a little less than 4% of total general fund revenues. The proportion of general fund revenue allocated by Half Moon Bay to the Street and Roads Fund is comparable to other cities in the Bay Area. The County, on the other hand, does not allocate any general fund revenue to its Roads Fund.
- **STIP.** The State Transportation Improvement Program (STIP) is the primary state program for construction of new transportation projects. The STIP has traditionally been a funding program primarily directed to projects on the state highway system - interstate highways, U.S. highways, and state routes. Funding comes primarily from the State Highway Account and federal funds. Funding is programmed every two years for a four-year planning horizon. CalTrans is allocated 25% of the funds for interregional transportation improvements, and the remaining 75% is allocated by regional transportation planning agencies (the Metropolitan Transportation Commission in the Bay Area). Local agencies nominate street projects for funding consideration. Each region submits its list of recommended projects to the California Transportation Commission (CTC) by mid-December in odd years. After holding public hearings, the CTC adopts the STIP plan by April 1 in even years. The CTC does not nominate projects, but acts as an arbiter of proposals made by Caltrans and regional transportation

agencies. This has been an important source of funding for Highway 92 widening, a project managed by Half Moon Bay. The County has also received STIP revenue for the Pescadero Creek Road Resurfacing, Guadalupe Canyon Parkway Rehabilitation, and for various streets rehabilitation.

- **Proposition 42.** Proposition 42, or the Transportation Congestion Improvement Act, requires that existing revenues resulting from state sales and use taxes on the sale of motor vehicle fuel be used for transportation purposes as provided by law until June 30, 2008. After July 1, 2008, existing revenues resulting from state sales and use taxes are required to be used for public transit and mass transportation, city and county street and road repairs and improvements, and state highway improvements. Starting in 2008-09, about \$1.4 billion in gasoline sales tax revenues, increasing annually thereafter, would continue to be used for state and local transportation purposes. Half Moon Bay and the County receive Proposition 42 revenues.
- **Miscellaneous Revenues.** A number of cities levy a construction and refuse collection vehicle roadway maintenance impact fee to compensate for the impact of these vehicles on street maintenance costs. This includes Atherton, Menlo Park, San Mateo County, Hillsborough, San Carlos, Belmont, Los Altos Hills, etc. In 2006-07, Los Altos Hills collected \$326,316 in roadway impact fees. Half Moon Bay does not charge a roadway maintenance impact fee.

## **(2) Expenditures for Streets and Roads Maintenance.**

Half Moon Bay adopted a 2007-08 budget for its Street and Roads Fund in the amount of \$2,181,460, with a projected year-end fund balance of \$551,618; \$600,000 was allocated to the Highway 1 Trail – Phase 2, and \$100,000 for the Miramontes Avenue Pathway. Overall, this amounts to an equivalent expenditure of \$52,909 per centerline mile of street excluding the trail and pathway expenditures.

The County's expenditures in 2006-07 for Road Construction and Operations amounted to \$17,121,000 or the equivalent of \$54,180 per centerline mile of road in the unincorporated area of the County. (The source of the total expenditures was page 82 of the County's *Comprehensive Annual Financial Report*). This would be equivalent to annual expenditures of \$2,546,460 for the roads in the unincorporated area of the

Midcoast (allocating the expenditures proportionately based upon the centerline miles in the unincorporated Midcoast area in comparison to all of the centerline miles in the unincorporated area of the County).

#### **4. COST AVOIDANCE OPPORTUNITIES.**

Cost avoidance opportunities consider such issues as the opportunity for joint agency practices, duplication of services, the impact of service practices and / or facilities in relation to service cost, opportunities for savings in overhead, etc.

There are no real opportunities to reduce the level of capital spending for street and road infrastructure preservation spending for Half Moon Bay or the unincorporated area of the Midcoast.

The Metropolitan Transportation Commission (MTC) estimated the cost of addressing the pavement backlog in San Mateo County in 2005-06<sup>8</sup>. MTC estimated that the pavement backlog in the incorporated County amounted to \$31,447,598 or \$99,517 per centerline mile of road; this would result in a pavement backlog of \$4,677,299 for the unincorporated portion of the Midcoast area (allocating the backlog proportionately based upon the centerline miles in the unincorporated Midcoast area in comparison to all of the centerline miles in the unincorporated area of the County).

MTC estimated that the pavement backlog in Half Moon Bay amounted to \$14,656,671 or \$523,452 per centerline mile of road.

Half Moon Bay and the County need greater capital outlay resources for street and road infrastructure preservation than currently available.

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<sup>8</sup> Metropolitan Transportation Commission, Bay Area Street and Road Needs by Jurisdiction, FY 2005-06.

Half Moon Bay and the County do not jointly issue invitations to bid for street and road preventive maintenance and repair contracts. While it has been noted that, if Half Moon Bay participated with the County in the County's invitation to bid, it is likely that Half Moon Bay would be able to obtain lower unit prices given the volume of capital projects for the County, the City of Half Moon Bay Interim Public Works cites that this is not a practical arrangement for a number of reasons, including that projects are not in close proximity to each other.

The County dedicates five staff full-time to the maintenance and repair of roads in the unincorporated Midcoast area. This includes a crew supervisor and four equipment operators. These five staff are responsible for 47 centerline miles of roads. There are, in addition, two countywide crews: a construction crew and a concrete crew. These crews are authorized eighteen staff. Since the Midcoast area comprises 15% of the County's total centerline miles, 2.7 full-time equivalent staff from these two countywide crews could be allocated to the maintenance and repair of roads in the Midcoast area (allocating the staff proportionately based upon the centerline miles in the unincorporated Midcoast area in comparison to all of the centerline miles in the unincorporated area of the County). This would result in a total of 7.7 full-time equivalent road maintenance staff allocated to the maintenance and repair of roads by the County in the unincorporated area of the Midcoast. This is equivalent of 16.4 road maintenance staff per 100 centerline miles of roads. In the experience of the project team, this closely approximates the median level of road maintenance staffing of urban areas for the maintenance and repair of roads.

Half Moon Bay dedicates approximately four staff to street and road maintenance. The four staff are responsible for the maintenance and repair of 28 centerline miles of roads. This is equivalent of 14.3 road maintenance staff per 100 centerline miles of roads. In the experience of the project team, this closely approximates the median level of staffing of urban areas for the maintenance and repair of streets.

## **5. OPPORTUNITIES FOR RATE RESTRUCTURING.**

Rate restructuring opportunities consider such issues as the local governments methodology for determining rates, the availability of revenue enhancement opportunities, the cost of services versus fees, etc.

As a non-enterprise activity, opportunities for rate restructuring for street and road maintenance are fairly limited. Establishing assessment districts and general fund tax rates are subject to voter approval requirements.

Half Moon Bay and the County do have opportunities to restructure user fees and development impact fees. However, there are limits to these increases that may be enacted. In order to raise user fees, Half Moon Bay and the County must document that the fee recoups only the cost of providing the fee-related service. For development impact fees, Half Moon Bay and the County must justify the fees as an offset to the future impact that development will have on infrastructure. There are opportunities for Half Moon Bay and the County to increase these fees, and many local governments do increase user fees on an annual basis.

As noted earlier, while San Mateo County does charge a roadway maintenance impact fee, Half Moon Bay does not.

**6. OPPORTUNITIES FOR SHARED FACILITIES.**

Opportunities for shared facilities considers such factors as current shared activities with other service providers including shared facilities and staff, opportunities for shared facilities, opportunities for conjunctive or joint use projects, etc.

At present, the County staff assigned to the maintenance and repair of the roads in the unincorporated area of the Midcoast are assigned to a corporation yard located in Princeton-By-The-Sea on Cornell Avenue. The street maintenance staff for Half Moon Bay are assigned to a corporation yard located Stone Pine Road. The distance between these two corporation yards is five miles or about eleven minutes travel time.

An alternative for shared facilities would be consideration of the consolidation of these two facilities so that the street and road maintenance staff worked jointly from one corporation yard. In addition, the County and Half Moon Bay have a number of capital projects in 2007-08 for the preservation of their street and road system. These are presented in the table below. The expenditures for the County reflect those for the Midcoast, Coastside, and countywide.

<b>Agency</b>	<b>Area</b>	<b>Type of Project</b>	<b>Amount</b>
County	Coastside	Resurfacing Projects	\$1,000,000
	Midcoast	Reconstruction	\$500,000
	Midcoast	Reconstruction in Princeton	\$220,000
	Countywide	Slurry / chip seal	\$1,460,000
	<b>Total</b>		<b>\$3,180,000</b>
Half Moon Bay	Half Moon Bay	Pavement Maintenance & Reconstruction	\$610,000
	<b>Total</b>		<b>\$610,000</b>

As the table indicates, the County is budgeted to spend a significantly greater amount of moneys for preservation of its streets and roads than Half Moon Bay. Joint

procurement and issuance of invitations to bid would potentially offer Half Moon Bay better unit prices for these capital projects than would possible by its own effort.

## **7. EVALUATION OF MANAGEMENT EFFICIENCIES.**

This section provides an evaluation of management efficiencies in the context of road and street maintenance service providers – Half Moon Bay and the unincorporated Midcoast area. This section considers their effectiveness in providing efficient, quality public services. Efficiently managed agencies are deemed those that consistently implement plans to improve service delivery, reduce waste, eliminate duplications of effort, contain costs, maintain qualified employees, and build and maintain adequate contingency reserves.

Half Moon Bay implements best practices in street maintenance services. This is apparent based upon a number of factors as discussed in the paragraphs below.

- The Public Works Department utilizes the Pavement Management System developed by the Metropolitan Transportation Commission.
- The Public Works Department uses effective infrastructure preservation practices. It applies slurry seal to streets based upon the PCI data contained within the Pavement Management System.

However, the level of spending for preservation of roads in Half Moon Bay is insufficient as noted above.

The County also implements best practices in road maintenance services. This is apparent based upon a number of factors as discussed in the paragraphs below.

- The Public Works Department utilizes the Pavement Management System developed by the Metropolitan Transportation Commission.
- The Public Works Department uses effective infrastructure preservation practices. It applies slurry seal and chip seal to roads in the unincorporated area based upon the PCI data contained within the Pavement Management System.

Overall, however, the level of spending for preservation of roads in the unincorporated portion of the San Mateo Coastside is insufficient as noted in discussion above.

## **4(A) STORMWATER DRAINAGE**

Comments on the circulation draft included concerns regarding lack of stormwater drainage infrastructure in the unincorporated midcoast. As part of the Midcoast Local Coastal Program Update the Board of Supervisors formed the Midcoast Stormwater Drainage Committee (MSDC) to develop recommendations to the Board of Supervisors on drainage and watershed issues on the Midcoast. MSDC identified and prioritized locations where flooding is a problem. While the Board of Supervisors authorized the use of roadway mitigation fees generated on the Midcoast for use on three projects to correct drainage deficiencies, there are no existing designated funding sources for a comprehensive program. Possible funding sources include: developer fees, additional mitigation fees, grant funding, benefit assessment districts, and potential agency contributions. Agencies on the Coastside with enabling legislation that includes stormwater facility acquisition, construction and operation include County of San Mateo, City of Half Moon Bay, Granada Sanitary District and Montara Water and Sanitary District. Given that MSDC efforts regarding implementation and funding of stormwater improvements and maintenance are ongoing, the Governance Alternative Section below incorporates, to the extent possible, inclusion of this service in potential governance alternatives.

## **6. LAW ENFORCEMENT**

This chapter of the report provides a Municipal Service Review for the two local governments involved in law enforcement service delivery within the San Mateo County Midcoast area.

### **1. THERE ARE TWO LAW ENFORCEMENT AGENCIES PROVIDING SERVICES TO THE SAN MATEO COUNTY MIDCOAST AREA.**

Two local governments provide law enforcement services to the communities within the San Mateo County Midcoast area. These two local governments are presented below.

- **Half Moon Bay Police Department** provides law enforcement services to within Half Moon Bay. The Police Department is managed by a Police Chief with two direct reports: a Police Captain responsible for Patrol Services and support services such as the School Resource Officer, investigations, canine and Motors, and a Records Supervisor overseeing administrative functions such as Records and Property and Evidence. Dispatch services are provided by a contract with the San Mateo County Communications Department - a regional dispatch center for law enforcement, fire and EMS dispatch. City of Half Moon Bay Service Area is 6.4 square miles. The City's police Department full-time staffing is 18 sworn and 5 non-sworn personnel. The City's 2007 estimated population is 12,308.
- **The San Mateo County Sheriff's Office** provides law enforcement services to the residents in the unincorporated area of the San Mateo County Midcoast area, and, as necessary, provides specialized support services to Half Moon Bay based on a mutual aid agreement. The Sheriff's Office operates a substation located in Moss Beach. This substation serves the San Mateo County Sheriff's Office Midcoast Patrol Unit. This Unit is responsible for the law enforcement activities for Beat 70 which includes over 60% of San Mateo County<sup>9</sup> and, in part, serves El Granada, Princeton, Montara, Moss Beach, and Miramar. Similar to Half Moon Bay, dispatch services are provided by the San Mateo County Communications Department. As part of the County Sheriff's Department, other services and programs available include Sheriff's Detective(s), school resource officer, use of emergency services bureau units, SWAT Team/Bomb Squad,

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<sup>9</sup> Beat 70 also includes the Moonridge Development south of Half Moon Bay and rural areas including from SR-92 to Kings Mountain Road. (See attached map).

motorcycle unit, search and rescue units and reserve volunteer units. The County Sheriff Beat 70 budget includes 17.75 sworn personnel and .5 support staff. The urban incorporated area 2007 population is 11,152. 2007 population estimates for the balance of Beat 70 rural area are not available.

## **2. INFRASTRUCTURE NEEDS OR DEFICIENCIES.**

Infrastructure information as it relates to the affected law enforcement agencies is restricted to the police facilities serving the respective areas. The Half Moon Bay Police Department has a station located at 537 Kelly Avenue that has been the location of the Department since 1987. Although there is no planning / engineering information readily available to determine the present suitability of the Police Department station, anecdotally the structure has been referenced regularly throughout the years in various articles, such as the Half Moon Bay Review. By example, it has been described as “the long-delayed police station” referenced in opposition to a 2003 Measure D ordinance. Additionally, in 1999, discussions occurred regarding the construction of a new police building (and other facilities) using redevelopment monies. Consequently, the current facility may not be adequate and there appears opportunity to re-visit the suitability of the facility if capital improvement or other monies become available.

The Sheriff’s Office Moss Beach substation is located at 500 California Street in Moss Beach. It is described thusly: “Sheriff Horsley found it to be in the best interest of the community to establish a practical and efficient substation located in Moss Beach. The Moss Beach substation offers the largest law enforcement facility on the coast. Its location is ideal since it is easily viewed from State Highway 1.”<sup>10</sup> The Sheriff’s Department is in the process of building a vehicle and emergency personnel staging

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<sup>10</sup> [http://www.co.sanmateo.ca.us/smc/departments/home/0,,14095463\\_14132044\\_59222338,00.html](http://www.co.sanmateo.ca.us/smc/departments/home/0,,14095463_14132044_59222338,00.html)

area at the Half Moon Bay Airport to enhance response, deployment and management of emergency services. Based on this information, there appear to be no infrastructure deficiencies related to the Sheriff's Office substation.

### **3. FINANCING CONSTRAINTS AND OPPORTUNITIES.**

The following information provides our project team's review of financing constraints and opportunities associated with the law enforcement agencies in the Midcoast area.

**(1) Half Moon Bay Police Department's FY 2007 / 08 Budget Is Approximately \$4.66 Million.**

Half Moon Bay expends over 40% of its city's budget on police services. The Half Moon Bay Police Department budget is presented in the table below.

**Half Moon Bay Police Department FY 07/08 Budget Detail**

<b>Expenditures</b>	<b>Actual 2005-2006</b>	<b>Actual 2006-2007</b>	<b>Adopted 2007-2008</b>
Salary & Benefits	\$3,224,889.00	\$3,339,080.00	\$3,935,309.00
Supplies & Materials	\$100,640.00	\$81,450.00	\$108,760.00
Contract Services	\$289,588.00	\$301,700.00	\$318,500.00
Animal Control	\$89,856.00	\$83,705.00	\$82,120.00
Inter-fund Transfers	\$189,650.00	\$213,700.00	\$213,700.00
<b>Total Expenditures</b>	<b>\$3,894,623.00</b>	<b>\$4,019,635.00</b>	<b>\$4,658,389.00</b>
<b>Revenues</b>			
Fines & Forfeitures	\$42,859.00	\$36,650.00	\$35,400.00
False Alarm Fees	\$10,425.00	\$8,075.00	\$8,100.00
DUI Recovery	\$2,955.00	\$500.00	\$500.00
Investigation & Report Fees	\$4,534.00	\$4,315.00	\$4,400.00
PD-Special Revenue	\$15,240.00	\$14,000.00	\$15,000.00
Fingerprint Fee			
1/2 Cent Sales Tax	\$17,968.00	\$18,000.00	\$18,000.00
General Subsidy	\$3,800,642.00	\$3,938,095.00	\$4,576,989.00
<b>Total Revenues</b>	<b>\$3,894,623.00</b>	<b>\$4,019,635.00</b>	<b>\$4,658,389.00</b>

The police department relies, for the most part, on the general fund for its sources of revenues, and constraints are driven by the ability of the City to collect sufficient property, sales, and other taxes to fund this essential service. As reflected by the table, only a small portion of revenues, specifically 1.7%, are provided by sources other than the General Fund. As a result, the police budget, and the attendant operations, is inextricably linked to the health of the City's General Fund budget.

The cost per capita for delivery of law enforcement services for the City approximates \$378.

**(2) San Mateo County Sheriff's Office Allocated Costs to the Unincorporated Portion of the Midcoast Area of Approximately \$3.68 Million in FY 2007 / 08.**

As noted previously, Sheriff's Office serves constituents in the San Mateo Midcoast area from the Moss Beach Sub-station in an area known as Beat 70. The following costs were provided relative to the Beat 70 allocation for FY 2007 / 08.

**Sheriff's Office Beat 70 FY 07/08 Budget Detail**

<b>Sheriff's Patrol</b>	<b>Adopted 2007/2008</b>
Team 1	\$511,718
Team 2	\$511,718
Team 3	\$740,009
Team 4	\$738,550
<b>Sheriff's Investigation</b>	\$360,432
<b>Sheriff's Community Services</b>	\$162,529
<b>Mid-Coast Supervision/Administration</b>	\$422,911
<b>HMB Substation</b>	\$92,404
<b>Outside Agency Charges</b>	\$139,898
<b>Total Cost</b>	<b>\$3,680,169</b>

The cost per capita for delivery of law enforcement services for Beat 70 approximates \$330. The data reflect that the cost of SMSO services provided to constituents of Beat 70 are approximately 13% less per capita than the cost to residents of Half Moon Bay for police services.

**4. COST AVOIDANCE OPPORTUNITIES.**

Cost avoidance opportunities can be framed by comparing the delivery of service of the respective agencies within this chapter. It should be noted that only broad indicators are available. Nevertheless, given the information provided in the financing constraints and opportunities section, linking financial information to service delivery metrics can reveal potential cost avoidance opportunities.

**(1) Based on Estimated Population Figures for 2007, the County spends approximately 13% less per capita for Sheriff's Office Beat 70 Than Half Moon Bay for Law Enforcement Services.**

Based exclusively on population, a 13% cost differential for law enforcement services is not dramatic, and cannot solely demonstrate potential cost avoidance issues. Given figures are based on population estimates, conclusions should not be drawn from this information alone.

**(2) Based on 2006 Calls for Service Data, Half Moon Bay Residents Pay Approximately 7% Less Per Call Than Beat 70 Constituents.**

The project team collected calendar 2006 calls for service data for the two agencies. Based on these data, the Beat 70 and Half Moon Bay residents generated 0.45 and 0.55 calls for service per year, respectively. This range is typical of most law enforcement agencies in the United States.

Based on calls for service data, the cost per call for service for the two law enforcement agencies is different than population data; the Half Moon Bay Police Department is approximately 7% less than the Sheriff's Office in cost per call for service. Similarly, this cost differential for law enforcement services is not dramatic, and cannot solely demonstrate potential cost avoidance issues, particularly in light of lower costs for each agency dependent upon the driving variable used (e.g. population versus calls for service).

**(3) Based on Various Service Delivery Measures, Service Levels Are Comparable and Do Not Indicate Cost Avoidance Opportunities.**

In law enforcement agencies, service levels can be measured in a variety of ways. Two measures are the response time for a call for service as well as the time spent by law enforcement staff with the reporting party and investigating the call. Generally speaking, the shorter the response time and the longer the reporting party

has with the officer / deputy, the better the perceived level of service. The table below shows information collected by the project team as it relates to these variables.

**Calendar 2006 Service Level Data Based on Times Spent**

<b>Agency</b>	<b>Average Call Take to Dispatch</b>	<b>Average Dispatch to Arrival</b>	<b>Response Time from Reporting Party's Perspective</b>	<b>Average Arrival to Clear</b>	<b>Average Dispatch to Clear</b>
<b>Beat 70</b>	01:58	10:58	12:56	26:23	35:11
<b>HMBPD</b>	01:46	07:58	9:44	22:18	28:05

Important points to note regarding the data contained in the table are presented below.

- The time a call takes to dispatch from the San Mateo County Communications Department is comparable for both the Half Moon Bay Police Department and the Beat 70 Sheriff's staff. This indicates no relevant service level differentiation and no cost avoidance opportunities as it relates to dispatch services.
- Response time is approximately three minutes quicker, on average, for Half Moon Bay service recipients compared to Beat 70 recipients. The lower the response time, often times the better the community perception and the "higher the service level." There are numerous variables, however, that drive response time (size of service area, geography, topography, officer availability, etc.). In sum, these average response times for all calls for service are more than adequate for both agencies.
- Average time spent with the reporting party is approximately 4 minutes longer for Beat 70 than Half Moon Bay. As noted previously, within reason, the longer the time an officer / deputy can spend on a call, the perception of service delivered is often "better." It should be noted, however, that the "Average Dispatch to Clear" figure should be in the range of thirty minutes per call average; both agencies fall well within this parameter.

In sum, based only on these service level metrics, there appears no relevant difference between the Half Moon Police Department and the San Mateo County Sheriff's Office as it relates to service levels for patrol services.

The costs are comparable. In this instance, based on calls for service data, the time spent on calls, and the annual budgets, the cost per minute of service is approximately 9% less for the Sheriff's Office Beat 70 service recipients than Half Moon Bay Police Department recipients. The project team does not view this cost difference as significant.

Another broad measure of service delivery can be calculated by comparing service costs to the number of Part I crimes occurring in the community. Part I crimes are felonious crimes that all communities wish to prevent and/or solve. These include seven major crimes including homicide, rape, robbery, aggravated assault, burglary, larceny and arson.

Again, the data are comparable. In this example, the cost per Part I crime is approximately 13% less for the Half Moon Bay Police Department than for Beat 70's San Mateo County Sheriff's Office.

In sum, based on numerous variables, costs for service associated with the Half Moon Bay Police Department and the San Mateo County Sheriff's Office are comparable. Nevertheless, there may be opportunities for further refinement.

**(4) Despite Comparable Costs Based on Various Service Provision Variables, the Half Moon Bay May Benefit from Contracted Law Enforcement Services with the County.**

Previous data suggests that the cost for services provided by the Half Moon Bay Police Department and the San Mateo County Sheriff's Office to Beat 70 is generally equivalent.

Nevertheless, given the benefits related to economies of scale, both agencies, in particular the City, might benefit from exploring the potential savings and benefits of

contracting for law enforcement services with the San Mateo County Sheriff's Office. The City already cost-effectively contracts for services with the County for provision of dispatch services. Contract services provided by Sheriff's Offices to municipalities are found throughout the United States, with major jurisdictions receiving such services. Twenty counties in the state of California provide contracted law enforcement services to municipalities including Sheriff services provided directly to such large jurisdictions as Rancho Cucamonga, Temecula, Victorville, Moreno Valley, Santa Clarita, Mission Viejo, Danville, Dublin and others. Currently the San Mateo County Sheriff's Office contracts with both Portola Valley and Woodside. By example, the cost for service based on population figures to Portola Valley is approximately \$103 per resident.

While It is unclear if the San Mateo County Sheriff's Office could significantly reduce costs for law enforcement services provided to Half Moon Bay, savings in administration could be achieved through elimination of a chief and other positions duplicated as a result of having two law enforcement agencies working side by side. The City and the County are encouraged to examine the potential savings and other benefits of contracting with the San Mateo County Sheriff's Office for law enforcement service delivery, with specific service provision measures to ensure the same levels of service.

## **5. OPPORTUNITIES FOR RATE RESTRUCTURING.**

As noted previously, revenues linked to fines, fees and forfeitures represent an infinitesimal component of the Half Moon Bay Police Department's budget - less than 2% - and as a result revising these fees within community-acceptable parameters would have limited impact on the City's revenue stream. Conversely, given the "other revenue

sources” associated with the San Mateo County Sheriff’s budget, exploration of rate restructuring opportunities (e.g. parking violation amounts, jail services charges, etc.) could prove beneficial. The County should have in place a practice whereby such law enforcement-related rates are consistently re-evaluated by the Controller’s Office, preferably on a fixed schedule, to ensure alternate revenue streams are available to the County beyond General Fund monies.

## **6. OPPORTUNITIES FOR SHARED FACILITIES.**

As noted previously, there are two facilities allocated for the delivery of law enforcement services: one for the Half Moon Bay Police Department and the other for the San Mateo County Sheriff’s Office. These two facilities are approximately 6.5 miles apart and the City’s station may represent an alternate deployment location for the San Mateo County Sheriff’s Office if space could be provided. This option is likely impractical unless the Sheriff’s Office fully contracted service to Half Moon Bay, thereby transforming the current police department facility into a regional sub-station.

In addition, the San Mateo County Sheriff’s Office could contract with the Half Moon bay for maintenance and repair of their law enforcement vehicles. The County already contracts with Half Moon Bay for the maintenance of the County library located in Half Moon Bay.

## **7. EVALUATION OF MANAGEMENT EFFICIENCIES.**

A number of local governments in California contract with the County Sheriff’s Office for delivery of law enforcement services. In San Mateo County, for example, that includes Portola Valley and Woodside. As noted above, the City of Half Moon Bay might benefit from contracting for sheriff services. Other management efficiencies are

limited given the relatively low number of support and management staff for the Half Moon Bay Police Department and for Beat 70 of the Sheriff's Office.

## **7. WATER, WASTEWATER, AND SOLID WASTE**

This chapter of the report provides a services overview for the local governments in the Midcoast area of San Mateo County involved in water, wastewater, and solid waste systems service delivery.

### **1. FIVE ENTITIES PROVIDE WATER, WASTEWATER AND SOLID WASTE SERVICES TO THE SAN MATEO COUNTY MIDCOAST AREA.**

The following local governments and joint power authority provide water, wastewater and solid waste services to the communities within the San Mateo Midcoast area.

- **Sewer Authority Mid-Coastside (SAM)** is a public agency, operating under a joint powers agreement that provides wastewater treatment services to Half Moon Bay, the Granada Sanitary District and the Montara Water and Sanitary District. SAM also provides contract system maintenance service for member agencies.
- **Montara Water and Sanitary District (MWSD)** provides residents of Montara, Moss Beach, and adjacent areas located north of Half Moon Bay and south of Pacifica with water, wastewater and solid waste services. MWSD is a member of SAM.
- **Granada Sanitary District (GSD)** provides wastewater services to customers in El Granada, Princeton, Princeton-By-Sea, Miramar, and the northern portion of the City of Half Moon Bay. GSD provides solid waste service to El Granada, Princeton, Princeton-By-Sea, and Miramar. The Granada Sanitary District is a member of SAM. It should be noted that the GSD provides sewer services to a portion of Half Moon Bay based on existing gravity sewer infrastructure at the time of incorporation.
- **Coastside County Water District (CCWD)** provides potable water service to customers located in Half Moon Bay and the unincorporated coastal communities of El Granada, Miramar and Princeton.

- **Half Moon Bay.** Half Moon Bay (HMB) is a member of SAM, and owns the wastewater collection system within the City, and manages the delivery of solid waste collection services through a franchise agreement. The wastewater services are funded via a sewer enterprise fund.

**2. INFRASTRUCTURE NEEDS OR DEFICIENCIES.**

Infrastructure information is typically found in Master Plans, Capital Improvement Programs, and other associated documents and should be readily available at the appropriate special district agencies. The following table summarizes relevant infrastructure documentation and plans associated with the listed special district.

**Plan Documentation by Agency**

<b>Agency</b>	<b>Wastewater</b>	<b>Water</b>	<b>Solid Waste</b>
Sewer Authority Mid-Coastside (SAM)	Sewer Master Plan (1999) 5-year Capital Asset Mgmt. Improvement Schedule 2005 Water Reuse Feasibility Study	Not Applicable	Not Applicable
Coastside County Water District	Not Applicable	2005-2010 Urban Water Management Plan 2006 Water Supply Evaluation Report	Not Applicable
Montara Water & Sanitary District	See SAM Standard Sewer Specifications	2004 Water System Master Plan 2005 Water Rate Study 2005 Integrated Regional Water Management Plan for Midcoast	Privatized and Contracted to Seacoast Disposal
Granada Sanitary District	See SAM Standard Sewer Specifications Comprehensive Pipe Database With Condition Assessment CCTV Inspection and Assessment Log	Not Applicable	Privatized and Contracted to Seacoast Disposal
Half Moon Bay	No Sewer Master Plan	Not Applicable	Privatized and Contracted to Allied Waste

The following points are noted regarding the respective agencies and review of infrastructure needs or deficiencies.

**(1) Infrastructure Overview of the Sewer Authority Mid-Coastside (SAM).**

The following summarizes major infrastructure assets for SAM.

- Average plant capacity is 4.0 MGD with a current average dry weather discharge of 1.7 MGD and peak hourly wet weather flow at 15 MGD.
- The SAM plant provides secondary treatment with chlorine disinfection of effluent. Primary plant asset facilities include the following.

**SAM Major Plant Assets – Treatment Processes**

<b>Major Asset</b>	<b># of Assets</b>
Headworks	1
Influent Pumps	8
Grit Removal Tanks	2
Primary Sedimentation Basins	3
Aeration Basins	4
Secondary Clarifiers	2
Chlorine Contact Basin	2
Effluent Pumps	3
Anaerobic Digesters	2

**(1.1) The Sewer Authority Mid-Coastside (SAM) Has a Five-Year Capital Improvement Program and a Sewer Master Plan.**

The SAM has incorporated into their annual Comprehensive Budget document continuously updated five-year Capital Asset Management Improvement Schedules. The following table reflects the most recent five-year budget based on fiscal year 2007-08 information.

**SAM Five-Year Capital Asset Management Improvements – Estimated Costs**

	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>	<b>5-year Total</b>
Current Capital Budget Total	\$142,000	\$597,124	\$1,565,845	\$1,946,472	\$207,934	\$4,459,375
Continuing Capital Budget Total	\$423,231	\$413,103	\$331,717	\$286,141	\$286,141	\$1,740,333
<b>Total Capital Requirement</b>	<b>\$565,231</b>	<b>\$1,010,227</b>	<b>\$1,897,562</b>	<b>\$2,232,613</b>	<b>\$494,075</b>	<b>\$6,199,708</b>

The totals reflected above include capital purchases or improvements related to administrative services and treatment (current and continuing items); collections

(current and continuing items); and IPS/Pump Stations (current and continuing items). SAM further identifies infrastructure projects with project worksheets in the annual budget.

SAM has a Sewer Master Plan upon which the Capital Asset Management Improvement Schedules are based; this sewer master plan for its infrastructure was developed in 1999.

Since 2005, SAM and its member agencies have jointly been developing a Sanitary Sewer Management Plan (SSMP). This plan will be developed and adopted by August 2008. SAM's SSMP includes all elements of a sewer master plan and is more comprehensive than a sewer master plan.

### **(1.2) The Sewer Authority Mid-Coastside (SAM) Is Addressing Treatment Plant and Pumping Infrastructure Needs.**

Based on the review of available capital improvement project information, it appears SAM is generally rehabilitating or replacing Plant and Pump related capital assets in a reasonable manner. By example, one major project, the Wet Weather Capital Improvement – Phase II, is a successor project to a wet weather management initiative that began in 1996 and a major plant upgrade in 1999 expanding the plant to a capacity of four million gallons per day (MGD). The total estimated cost for this project represents nearly 73% of the entire five-year plan.

### **(2) Infrastructure Overview of the Coastside County Water District (CCWD).**

The following summarizes major infrastructure assets for the Coastside County Water District (CCWD).

- The water distribution system has 10 water storage tanks at a capacity of 8.1 million gallons.

- There are 3 pressure zones and five pump stations.
- There are two Water Treatment Plants: Nunes-4.5 MGD and Denniston-1.0 MGD.
- There are 100 miles of transmission and distribution pipeline in the CCWD system. The transmission pipeline consists of 17 miles, while the distribution pipeline consists of 83 miles.

**(2.1) CCWD Has a Ten-Year Capital Improvement Plan**

The CCWD has incorporated into their fiscal year budget documents a continuously updated ten-year Planned Capital Projects section. The following table reflects the most recent ten-year budget based on fiscal year 2007 - 08 information.

**CCWD Ten-Year Planned Capital Projects – Estimated Costs**

<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>FY 11-12</b>
\$4,227,000	\$1,876,000	\$1,951,000	\$6,085,000	\$1,879,000
<b>FY 12-13</b>	<b>FY 13-14</b>	<b>FY 14-15</b>	<b>FY 15-16</b>	<b>FY 16-17</b>
\$960,000	\$1,151,000	\$155,000	\$159,000	\$163,000

The totals reflected above include sub-categories related to Pipeline Projects; Water Treatment Plants; Facilities & Maintenance; Equipment Purchase & Replacement; Pumps, Tanks & Wells; and Other (typically specialized) projects.

**(2.2) CCWD Infrastructure Needs.**

Based on the review of available capital improvement project information that includes budgetary data, the Urban Water Master Plan, the 2006 Water Supply Evaluation Report and other data, it appears CCWD is generally rehabilitating or replacing capital assets in a reasonable manner and there are no relevant deficiencies.

For example:

- The District has an ongoing pipeline replacement program that continually removes sections of old inefficient pipeline and replaces it with new ductile iron pipeline that reduces leaks and reassures more water for firefighting purposes. In

2004 for example, approximately 7,465 feet of pipeline was replaced to reduce leaks.

- According to the 2006 Water Supply Evaluation Report, in 2006, the CCWD completed the Avenue Balboa Project, the Nunes Treatment Plant Influent Flow Meter Project, the Nunes Influent Valve Project, The Denniston Backwash Return Project and the Carter Hill West Project. In progress (as of 2007) are the Nunes Backwash Flow Meter Project, the Nunes Filter Media Replacement Project, SCADA/Telemetry Upgrades, Office Equipment Upgrades, and the Nunes Filter Backwash Valves. Phase III of the El Granada pipeline replacement project is in progress and scheduled to be complete in spring of 2008.

### **(3) Infrastructure Overview of the Montara Water and Sanitary District (MWSD).**

The following summarizes major infrastructure assets for the Montara Water and Sanitary District (MWSD).

- MWSD is responsible for approximately 25 miles of sewer lines (1,800 connections) and 13 lift stations. These are maintained by SAM under a contract with MWSD.
- Wastewater treatment facilities are provided by SAM as part of the joint powers agreement.
- Yearly cleaning of the system, general maintenance of the pump station, and response to field call-outs are provided by SAM staff under the terms of a separate 1988 maintenance agreement, independent of the JPA agreement. All lateral, manhole, pump station, and sewer main repairs or improvements are designed by the District as necessary, and bid out to private construction companies.
- MWSD is responsible for one water treatment plant, the Alta Vista Water Treatment Plant at 77,000 gallons and approximately three miles of distribution pipeline and approximately 28.6 miles of water system mains.
- The water system includes a surface water source, Montara Creek, which is diverted to the Alta Vista Water Treatment Plant and stored in Alta Vista storage tank.
- MWSD obtains groundwater from 10 wells: 1) Airport North (100 gpm); 2) Airport South (55 gpm); 3) Airport 3 (100 gpm); 4) Drake (35 gpm); 5) Park (23 gpm); 6) Portola Estates (10 gpm); 7) Portola Estates II (10 gpm); 8) Portola Estates III (10 gpm); 9) Portola Estates IV (16 gpm); and 10) Wagner 3 (70 gpm).

- MWSD is responsible for three Storage Tanks: 1) Portola Estates (100,000 gallons); 2) Alta Vista (462,000 gallons); and 3) Schoolhouse (100,000 gallons) totaling approximately 0.7 MG of storage capacity.
- MWSD filed a condemnation action to acquire the local water system and acquired the water utility in 2003. . The District's filing came after the voters within existing boundaries of the District, with 81% of the votes in favor, authorized the issue of up to \$19 million in general obligation bonds to purchase and rehabilitate the water system. The District, in a special meeting held on May 29, 2003, approved a Settlement and Asset Purchase Agreement with the California-American Water Company (Cal-Am), which owned the water system serving Montara, Moss Beach, and adjacent areas. The Agreement was negotiated under the auspices of the San Mateo County Superior Court. The Agreement approved on May 29, 2003 authorized the District to take possession of Cal-Am's Montara water system and all its assets on August 1, 2003. In a document dated August 1, 2003, DHS approved the application for a permit amendment requested by the District.

**(3.1) MWSD Completed a 2004 Water System Master Plan, a 2005 Addendum and Has a Five-Year Water and Sewer Capital Improvement Program.**

The MWSD completed a 2004 Water System Master Plan that identified Capital Improvement Program needs for both near and long-term projects; an addendum was prepared in 2005.

The Plan identified over \$10.4 million in capital needs in the short and long-term.

These planned costs are presented in the five-year Water CIP noted in the following table:

**MWSD FY 07-11 Planned Capital Projects – Water**

<b>PROJECT</b>	<b>FY07/08</b>	<b>FY08/09</b>	<b>FY09/10</b>	<b>FY10/11</b>	<b>FY 11/12</b>
Mechanical System Repairs & Replacements	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Emergency/Contingency/Spot Repairs	\$10,000	\$10,000	\$10,000	\$10,000	\$10,000
Alta Vista Well	\$515,000				
Replace Fire Hydrants	\$2,000	\$2,000	\$2,000	\$2,000	\$2,000
Well Rehabilitation	\$25,000	\$50,000	\$50,000	\$50,000	\$50,000
Vehicle Replacement Fund	\$25,000	\$25,000	\$25,000	\$25,000	\$25,000
Alta Vista Water Tank	\$2,755,000				
School House Water Tank	\$530,000				
Drill Test Wells for New Water Sources	\$48,000				
Centralized Airport Water Treatment System		\$1,514,100			
Water Main Replacements					
<b>TOTAL ANNUAL COST</b>	<b>\$3,920,000</b>	<b>\$1,611,100</b>	<b>\$97,000</b>	<b>\$97,000</b>	<b>\$97,000</b>

MWSD CIP planning for water was delayed due to legal action. The Water CIP, as shown in the prior table, reflects an update by the District in January 2008. Additionally, MWSD has a five-year CIP related to sewer (collection system improvements) as shown on the following table:

**MWSD FY 08-12 Planned Capital Projects – Sewer**

<b>PROJECT</b>	<b>FY07/08</b>	<b>FY08/09</b>	<b>FY09/10</b>	<b>FY10/11</b>	<b>FY11/12</b>
Mechanical System Repairs & Replacements	\$10,000	\$10,000	\$20,000	\$25,000	\$25,000
Inflow & Infiltration Testing	\$5,000	\$5,000	\$25,000	\$25,000	\$25,000
Emergency/Contingency/Spot Repairs	\$10,000	\$25,000	\$50,000	\$45,000	\$45,000
Replace Pump Station Pumps		\$20,000	\$20,000	\$50,000	\$50,000
Replace Seal Cove Pump Station Covers	\$40,000				
Vallepar Pump Station Generator	\$90,000				
Automatic Transfer Switch for Pump Stations	\$10,000	\$10,000	\$10,000	\$10,000	
Replace Date Harte Generator		\$40,000			
Replace Airport Pump Station Generator		\$40,000			
Update Date Harte Pump Station		\$30,000	\$25,000	\$25,000	
Seal Cove Grinder Pump Replacements	\$20,000				
Replace Line on Farallone south of 8th Street	\$48,000				
Replace Line on Main Street at Fourth Street	\$78,000				
Replace Line on Main St. north of 9th Street	\$11,000				
Replace Line on Cabrillo Hwy at 7th Street	\$12,000				
Replace Line on 6th Street btw Farallone & East	\$75,000				
Replace Line on 8th Street at East Avenue	\$79,000				
Replace Line on Cedar btw George & Harte Sts.	\$104,000				
Replace Medium High Priority Sewer Mains		\$230,000	\$230,000	\$300,000	\$300,000
<b>TOTAL ANNUAL COST</b>	<b>\$592,000</b>	<b>\$410,000</b>	<b>\$380,000</b>	<b>\$480,000</b>	<b>\$445,000</b>

**(3.2) MWSD Water Infrastructure Needs.**

Following acquisition of the water system in 2003, the District commissioned the Water System Master Plan which identified several shortcomings in the MWSD infrastructure and supply. The following is abstracted in entirety from that document.

“The implementation plan proposed in this section is structured to address the following key issues for the Water System: 1) Existing water supply and reliability deficiencies to ensure adequate daily service and fire protection for District customers; 2) System seismic reliability and emergency response deficiencies; 3) Provide a plan for lifting the moratorium on new water connections; and 4) Provide a plan for addressing the demands at build-out.

“The implementation plan presented below is based on the potential improvements identified in the water system analysis work. The implementation plan is designed to provide MWSD with a reliable water supply in the near term and the capability of meeting the water needs of the build-out population in 20+ years. A number of analyses, assessments, and investigations will be required before the design and construction of improvement projects, to better define system needs and generate adequate data to

select cost-effective solutions. These studies or pre-design tasks are critical to the planning effort and should have the highest priority. The implementation of the reliability improvements selected through these studies is anticipated to occur in a 5-year planning horizon. Implementation of improvements required to supply the build-out population may be expected in 20 years.

“The District faces water quality, supply, storage, and distribution system challenges. The projects and actions described below would allow the District to fulfill its mission and meet regulatory requirements. The feasibility of the long-term improvements has to be verified over the next three years.<sup>11</sup>”

“The identification of supplemental water sources has been a central issue in the Montara/Moss Beach area since 1986, when the California Public Utilities Commission (PUC) as the agency having jurisdiction over the water system under the previous ownership, established a moratorium on new water connections based on the finding that water supplies were inadequate to meet demands on the system. The moratorium was fully supported by DHS and remains in place in January 2004 (and to date).<sup>12</sup>”

These challenges reflect the infrastructure that the MWSD acquired from California-American Water Company, and not problems that originate with the MWSD. A summary of improvements completed since acquisition include<sup>13</sup>: replacement of water meters with radio-read system; installation of new well at Alta Vista (permit under review with California Coastal Commission); installation of energy improvements in existing pumps; replacement of deficient fire hydrants, valve stations, failing Alta Vista Raw Water Line, nine high-priority leaky water mains; coastal development permits for test drilling of 12 wells (some not all approved). In addition, the District successfully increased rates to fund a California Department of Health Services Loan for replacement and/or construction of tanks and water treatment plant improvements.

In regard to water supply as it relates to infrastructure the Alta Vista Well is part of a comprehensive Public Works Plan which includes additional water storage and

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<sup>11</sup> 2004 Water Systems Master Plan; Olivia Chen Consultants, Inc; page 6-2.

<sup>12</sup> 2004 Water Systems Master Plan; Olivia Chen Consultants, Inc; page 1-4.

<sup>13</sup> See attachment for more detailed list of improvements since acquisition.

water treatment facilities necessary to increase supply and permit the District to lift the moratorium for new connections in place since 1976. On-going Coastal Commission permitting requires additional biological and geotechnical reports or studies prior to hearing. While the District indicates that California Department of Health Services has approved serving water from the Alta Vista Well to customers during the environmental testing period, the District also indicates it does not know yet what the safe yield of the Alta Vista Well will be and that depending on the safe yield of the Alta Vista Well or possible future water sources, adequate supply to lift the moratorium may be several years in the future.<sup>14</sup>

### **(3.3) MWSD Sewer Infrastructure Needs.**

Based on available information, sewer collection system replacement is scheduled on a 40-year interval (2.5% per year). This is an appropriate cycle.

There is not a Sewer Master Plan upon which the CIP is based; however, a Sewer System Master Plan (SSMP) is scheduled for this fiscal year in concert with SAM. As noted by the District, the District successfully adjusted sewer rates to fund increases anticipated in the SAM contract for wet weather storage improvements and to renovate two ocean pump stations. The District obtained a Clean Beaches Initiative Grant for \$250,000 and anticipates paying the balance of \$1 million with a low interest State loan.

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<sup>14</sup> MWSD letter to Steve Monowitz, March 24, 2008; Paul Perkovic e-mail, May 7, 2008

**(3.4) MWSD Contracts for Solid Waste and Is Not Directly Responsible for Landfill Infrastructure Considerations.**

MWSD currently contracts for solid waste services with Seacoast Disposal, Inc. A review of contract and recent contract amendment language indicates that Seacoast is directly responsible for waste stream diversion and consequently MWSD does not currently have to consider issues related to landfill or other solid waste infrastructure. As identified in the contract:

“Whereas Contractor hereby agrees to provide for the Collection and Disposal of all Solid Waste within the District’s Service Area, and acknowledges that District does not, and shall not, (emphasis added) hereby instruct Contractor how to collect, process and dispose of Solid Waste, Recyclable Materials and Yard Waste.”

Given these terms and conditions, MWSD is effectively abrogated from considering solid waste infrastructure issues such as those related to landfill use, monitoring, etc. The District notes however that it monitors franchisee performance and enforces performance per various enforcement provisions contained in the Franchise.

**(4) Infrastructure Overview of the Granada Sanitary District (GSD).**

The following summarizes major infrastructure assets for the Granada Sanitary District (GSD).

- The collection system has 33 miles of sewer line and the Naples Beach pump station that pumps approximately 40,000 gallons per day and has 1500 feet of force main.
- Yearly cleaning of the system, general maintenance of the pump station, and response to field call-outs are provided by SAM staff under the terms of a separate 1988 maintenance agreement, independent of the JPA agreement. All lateral, manhole, pump station, and sewer main repairs or improvements are designed by the District as necessary, and bid out to private construction companies.

It should be noted that the District provides sewer collection services to the northern portion of Half Moon Bay.

**(4.1) The Granada Sanitary District Has a Five-Year Capital Improvement Program.**

The Granada Sanitary District has a five-year Capital Improvement Program that was prepared by Kennedy/Jenks Consultants. The plan categorizes projects into three areas: Major CIP Projects; Regulatory Compliance; and General Upgrades and Condition Assessments. The Five-year CIP is duplicated, in its entirety, in the table below. The Matrix Consulting Group added the final column to indicate total estimated costs for the fiscal year, based on available data.

**Granada Sanitary District FY 07-11 Capital Projects**

<b>Fiscal Year</b>	<b>Major CIP Projects</b>	<b>Regulatory Compliance</b>	<b>General Upgrades &amp; Condition Assessment</b>	<b>Total Est.</b>
FY 07/08	Permitting, CEQA Easement, Survey & Soils (\$100,000)	Raise Low and Buried MH Rims \$90,000	Replace Known Problem Sewers CCTV1 Suspected Problem Sewers \$340,000	\$530,000
FY 08/09	Design-Bid-Award Construction Contract for Medio Creek/Naples Beach Project, Phase 1 \$900,000	Survey Collection System & Inventory MH Condition  Prepare GIS Sewer Map Coordinate w/SAM re: Preparing SSMP \$45,000	Identify & Prioritize Sewer Upgrade Projects from CCTV1  Design-Bid-Award Construction Contract Priority 1 Projects \$300,000	\$1,245,000
FY 09/10	Evaluate Benefit/Cost of Phase 2, diverting remaining 16 EDUs (3,500 gpd). Permitting, CEQA, Easement, Survey & Soils, as necessary (\$60K)	Complete SSMP including Capacity Analysis \$50,000	Design-Bid-Award Construction Contract Priority 2 Projects \$300,000  CCTV2 sewers not TV'd in 2002 \$20,000	\$430,000
FY 10/11	Design-Bid-Award Construction Contract for Medio Creek/Naples Beach		Identify & Prioritize Sewer Upgrade Projects from CCTV2	\$450,000

<b>Fiscal Year</b>	<b>Major CIP Projects</b>	<b>Regulatory Compliance</b>	<b>General Upgrades &amp; Condition Assessment</b>	<b>Total Est.</b>
	Phase 2 (tentative \$450,000)			
FY 11/12	Remove Medio Creek Sewer Crossing (tentative) \$40,000		Design-Bid-Award Construction Contract Priority 1 Projects \$300,000	\$340,000

There is not a Sewer Master Plan upon which the CIP is based; however, a Sewer System Master Plan (SSMP) is scheduled for this fiscal year in concert with SAM.

**(4.2) The Granada Sanitary District Has Been Dedicating Significant Funding to Address Infrastructure Replacement Challenges.**

The Granada Sanitary District provided a relatively detailed asset inventory of their collection system to the project team.

The District has spent approximately \$3.5 million over the past several years replacing aging sewer mains alone. There remains, however, the 6% of the collection system that was built in 1920.

**(4.3) The Granada Sanitary District Contracts for Solid Waste and Is Not Directly Responsible for Landfill Infrastructure Considerations.**

Similar to MWSD, the Granada Sanitary District currently contracts for solid waste services with Seacoast Disposal, Inc. As a consequence, Seacoast is directly responsible for waste stream diversion and consequently the Granada Sanitary District does not currently have to consider issues related to landfill or other solid waste infrastructure.

**(5) Half Moon Bay Wastewater Collection System**

The following summarizes major infrastructure assets for Half Moon Bay.

- The collection system has 34.48 miles of sewer line.

- The collection system has three lift stations.
- Yearly cleaning of the system, general maintenance of the pump station, and response to field call-outs are provided by SAM staff under the terms of a separate 1988 maintenance agreement, independent of the JPA agreement. All lateral, manhole, pump station, and sewer main repairs or improvements are designed by the City as necessary, and bid out to private construction companies.
- Wastewater treatment facilities maintenance and repair are provided by SAM as part of a joint powers agreement.

**(5.1) HMB Has a Basic Five-Year Capital Improvement Program for Its Sewer Collection System.**

Half Moon Bay has a five-year Capital Improvement Program (CIP) for its sewer collection system. The five-year CIP is duplicated for this system, in its entirety, in the table below.

	<b>FY 06-07</b>	<b>FY 07-08</b>	<b>FY 08-09</b>	<b>FY 09-10</b>	<b>FY 10-11</b>	<b>TOTAL</b>
Update Infrastructure Standards	\$2,500	\$2,500	\$-	\$-	\$-	\$5,000
Sewer Map Update	\$7,979	\$8,000	\$7,958	\$-	\$-	\$23,937
Sewer Fee Study	\$50,000	\$50,000	\$-	\$-	\$-	\$100,000
Sewer and Lift Station Improvements	\$70,000	\$250,000	\$250,000	\$250,000	\$250,000	\$1,070,000
Sewer Rehab Phase III-Study	\$5,000	\$5,000	\$15,357	\$-	\$-	\$25,357
Sanitary Sewer Rehab-Phase III Construction	\$88,485	\$-	\$-	\$-	\$-	\$88,485
Bell Moon Lift Station	\$384,572	\$-	\$-	\$-	\$-	\$384,572
Pelican Point Lift Station	\$223,460	\$140,000	\$-	\$-	\$-	\$363,460
Ocean Colony Force Main	\$350,000	\$470,000	\$-	\$-	\$-	\$820,000
Sewer Trench Repairs	\$150,000	\$150,000	\$150,000	\$150,000	\$150,000	\$750,000
<b>TOTAL</b>	<b>\$1,331,996</b>	<b>\$1,075,500</b>	<b>\$423,315</b>	<b>\$400,000</b>	<b>\$400,000</b>	<b>\$3,630,811</b>

There is not a Sewer Master Plan upon which the CIP is based; however, a Sewer System Master Plan (SSMP) is scheduled for this fiscal year in concert with SAM.

**(5.2) Half Moon Bay Contracts For Solid Waste and Is Not Directly Responsible For Landfill Infrastructure Considerations.**

Half Moon Bay (HMB) currently contracts for solid waste services with Allied Waste. A review of contract and recent contract amendment language indicates that Allied Waste is directly responsible for waste stream diversion and consequently HMB does not currently have to consider issues related to landfill or other solid waste infrastructure. Given these terms and conditions, HMB is effectively abrogated from considering solid waste infrastructure issues such as those related to landfill use, monitoring, etc.

**3. FINANCING CONSTRAINTS AND OPPORTUNITIES.**

The following information provides review of financing constraints and opportunities associated with the agencies in this chapter.

**(1) Financial Overview of the Sewer Authority Mid-Coastside (SAM).**

The tables below reflect fiscal year 2007/08 budgetary allocation and other information. Revenue sources for SAM are related to two sources:

- Non-Domestic Waste Source Control Program (NDWSCP) that is self-funded with monies provided by commercial users for point-source control purposes.
- Member agency “fees for service” from Half Moon Bay, Montara Water and Sanitary District and Granada Sanitary District.

**SAM FY 2006/07 and 2007/08 Budget Comparison**

	<b>Approved 2006/07</b>	<b>Proposed 2007/08</b>
<b>Operating Budgets</b>		
General	\$2,564,286	\$2,739,760
Collection	\$637,668	\$649,052

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IPS/Pump Station	\$0	\$0
<b>Total Operating Budgets</b>	<b>\$3,201,954</b>	<b>\$3,388,812</b>
<b>Capital Budgets</b>		
General	\$281,244	\$465,122
Collection	\$76,236	\$68,123
IPS/Pump Stations	\$130,823	\$0
<b>Total Capital Budgets</b>	<b>\$488,303</b>	<b>\$533,245</b>
<b>Subtotal All Budgets</b>	<b>\$3,690,257</b>	<b>\$3,922,057</b>
<b>Non-Domestic Waste Source Control Program</b>		
Operating Budget	\$14,137	\$20,865
Capital Budget	\$0	\$0
<b>Total NDWSCP</b>	<b>\$14,137</b>	<b>\$20,865</b>
<b>Total All Budgets</b>	<b>\$3,704,394</b>	<b>\$3,942,922</b>

**SAM FY 2007/08 Cost Allocation to Member Agencies**

	<b>Half Moon Bay</b>	<b>Granada Sanitary District</b>	<b>Montara Water and Sanitary District</b>	<b>TOTAL</b>
General Operating	\$1,405,773	\$804,293	\$529,694	<b>\$2,739,760</b>
General Capital	\$234,886	\$137,211	\$93,024	<b>\$465,121</b>
Collections Operating	\$185,030	\$226,063	\$237,959	<b>\$649,052</b>
Collections Capital	\$20,120	\$24,177	\$23,826	<b>\$68,123</b>
IPS / Pump Stations Operating	\$-	\$-	\$-	<b>\$-</b>
IPS / Pump Stations Capital	\$-	\$-	\$-	<b>\$-</b>
NDWSCP Operating	\$-	\$-	\$-	<b>\$-</b>
NDWSCP Capital	\$-	\$-	\$-	<b>\$-</b>
<b>TOTAL</b>	<b>\$1,845,809</b>	<b>\$1,191,744</b>	<b>\$884,503</b>	<b>\$3,922,056</b>
<b>% OF TOTAL</b>	<b>47.1%</b>	<b>30.4%</b>	<b>22.6%</b>	<b>100.0%</b>

Based on details within the Joint Powers Agreement creating SAM among the three user-agencies, “the total expenses operation and maintenance of all of the components of the Present Project shall be shared in a manner based on flows into the single consolidated treatment plant facility.” In sum, the revenue stream of SAM is based upon flow rates from the respective agencies. These flows are metered at various junctions to ensure accurate cost allocation. As demonstrated in budgetary information provided previously, Half Moon Bay, GSD and MWSD contribute a proportionally different amount to SAM based on their constituents’ use. Half Moon Bay contributes 47%, MWSD 23% and GSD 30%.

**(2) Financial Overview of the Montara Water and Sanitary District (MWSD).**

The following is noted for fiscal year 2007/08 budgetary allocation and other relevant information for the MWSD.

- Sewer Service Charges, Connection Fees (and connection fee-remodels), and tax revenue represent 90% of MWSD’s estimated sewer revenue stream of nearly \$2.06 million in FY 2007/08.
- The 10% balance for sewer revenue is associated with prior year carry-forwards, solid waste franchise fee, interest income, and other minor sources.

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- A small franchise fee is paid by Seacoast Disposal for rights to manage solid waste in the MWSD service area.
- Water sales, Connection Fees, and tax revenue represent 97% of MWSD's estimated water revenue stream of nearly \$1.63 million in FY 2007/08.
- The remaining small balance for water revenue is associated with private fire protection deposits, property rents and interest income.

The following tables show more detailed revenue and expenditure information for the prior two years.

**MWSD FY 2006/07 and 2007/08 Sewer Budget**

	<b>Budget 2006/07</b>	<b>Budget 2007/08</b>
<b>Revenue</b>		
Revenue-Operating	\$1,618,231	\$1,891,261
Revenue-Non Operating	\$152,500	\$166,600
Revenue -Restricted		
<b>Total Revenue</b>	<b>\$1,770,731</b>	<b>\$2,057,861</b>
<b>Expenses</b>		
Total Internal Expenses	256,150	259,250
Total Professional Services	188,200	197,200
Total Insurance Expenses	3,700	6,500
Total Projects Expenses	463,350	463,350
Total SAM Assessment	859,331	1,012,061
Total Operating Expenses	1,770,731	1,938,361
Total Non-Operating Expenses/Other		119,500
Total Expenses-Unrestricted Funds	1,770,731	2,057,861
Total Expenses-Restricted Funds		
<b>Total Expenses</b>	<b>\$1,770,731</b>	<b>\$2,057,861</b>

**MWSD FY 2006/07 and 2007/08 Water Budget**

	<b>Budget 2006/07</b>	<b>Budget 2007/08</b>
<b>Revenue</b>		
Income	1,550,500	1,625,500
<b>Total Revenue</b>	<b>\$1,550,500</b>	<b>\$1,625,500</b>
<b>Expenses</b>		
Total Internal Expenses	51,150	79,650
Total Operating Expense - Water	552,050	642,300
Total Payroll	473,100	471,350
Total Professional Services	235,000	317,000
Total Insurance Expenses	25,200	25,200
Total Projects Expenses	0	90,000
<b>Total Expenses</b>	<b>\$1,336,500</b>	<b>\$1,625,500</b>

An enterprise district operates as a business to account for revenues received for goods or services provided to the general public on a continuing basis and primarily financed through user charges. Three criteria used to determine if an operation should be an enterprise fund include:

- A legal ability to generate independent revenues;
- An entity that provides goods or services to the general public on a consistent basis; and
- An organization that can operate as a stand-alone entity.

The MWSD operates consistent with the three criteria noted and consequently is an independent “enterprise fund organization.” MWSD can generate revenue through a variety of user fees to fully fund its operations. Consequently, the use of tax revenues to augment operations runs counter to that of the intent of the State Legislature. MWSD budgeted \$237,500<sup>15</sup> in tax revenue in fiscal year 2007/08. The water and sewer rates of the MWSD would need to be raised by 7.7% if the property tax revenue was not available or reallocated for a non-enterprise purpose.

<sup>15</sup> \$125,000 for sewer, \$112,500 for water.

Since implementation of Proposition 13, many enterprise districts in the State receive a share of the 1% property tax in addition to enterprise revenues from user fees. This is based on taxes levied by the agency prior to Prop. 13. Shares of the property tax revenues of other water districts in San Mateo County range from 1% to 9% of the 1%.

In essence, Proposition 13 changed special district funding in that enterprise districts lost the ability to raise revenue through property tax. Government Code Section 16270 states: "The Legislature finds and declares that many special districts have the ability to raise revenue through user charges and fees and that their ability to raise revenue directly from the property tax for district operations has been eliminated by Article XIII A of the California Constitution. It is the intent of the Legislature that such districts rely on user fees and charges for raising revenue due to the lack of the availability of property tax revenues after the 1978-79 fiscal year. Such districts are encouraged to begin the transition to user fees and charges during the 1978-79 fiscal year. "

### **(3) Financial Overview of the Granada Sanitary District (GSD).**

The following is noted regarding fiscal year 2007/08 budgetary allocation and other relevant information for the GSD.

- Sewer Service Charges, Connection Fees, and tax revenue represent 85% of GSD's estimated sewer revenue stream of over \$1.82 million in FY 2007/08.
- The 15% balance for sewer revenue is largely associated with interest income, with a small proportion associated with a solid waste franchise fee payment and other minor revenue sources.
- A small franchise fee is paid by Seacoast Disposal for rights to manage solid waste in the GSD service area.

The following table shows more detailed revenue and expenditure information for the District.

<b>GSD FY 2007/07 &amp; 2007/08 Sewer Budget Information</b>		
<b>Granada Sanitary District</b>	<b>2006-2007</b>	<b>2007-2008</b>
Connection Fees	\$141,000	\$118,000
Interest on Reserves	\$207,000	\$232,000
Property Tax Allocation	\$410,000	\$450,000
Annual Sewer Service Chargers	\$960,000	\$988,000
Reim. From Assessment District-Sal. Overhead	\$6,000	\$8,000
Seacoast Disposal Franchise Fee	\$18,000	\$18,000
Miscellaneous	\$10,000	\$10,000
<b>Total Revenues</b>	<b>\$1,752,000</b>	<b>\$1,824,000</b>
Operating Expenditures	953,006	\$1,125,356
Administration Expenditures	354,400	\$356,500
<b>Total Expenditures</b>	<b>1,307,406</b>	<b>\$1,481,856</b>
Net to Reserves	444,594	<b>\$342,144</b>
Total Capital Improvement Projects	724,045	\$1,107,012
<b>Total Reserve at End of Fiscal Year</b>	<b>4,354,549</b>	<b>\$4,279,413</b>

As discussed previously GSD operates as an enterprise district and the use of tax revenues to augment operations is counter to that of the intent of the State Legislature. The sewer rates of the GSD would need to be raised by 32.8% if the property tax revenue was not available or reallocated for a non-enterprise purpose.

**(4) Financial Overview of the Coastside County Water District (CCWD).**

The paragraphs below reflect fiscal year 2007/08 budgetary allocation and other relevant information. The following is noted.

- Water sales and tax revenue represent 95% of CCWD's estimated water revenue stream of nearly \$6.26 million in FY 2007/08. Whereas connection fee revenue represented \$236,000 in FY 06/07, it only represents \$6,000 this fiscal year.
- The remaining small balance for water revenue is associated with an ERA Refund, interest income, hydrant sales, and other miscellaneous income.

The following table shows more detailed revenue and expenditure information for the current and prior fiscal years.

**CCWD FY 2006/07 and 2007/08 Water Budget Comparison**

	<b>Approved FY 06/07</b>	<b>Proposed FY 07/08</b>
<b>Revenues</b>		
Water Sales	\$4,777,257	\$5,302,221
Hydrant Sales	\$30,000	\$25,000
Late Penalty	\$50,000	\$60,000
Service Connections	\$236,000	\$6,000
Interest Earned	\$66,086	\$91,192
Property Taxes	\$450,000	\$600,000
Miscellaneous	\$72,000	\$72,000
ERAF Refund	\$173,000	\$100,000
<b>Total Revenue</b>	<b>\$5,854,343</b>	<b>\$6,256,413</b>
<b>Expenses</b>		
Water Purchased	\$1,089,879	\$1,344,656
Electrical Expenses	\$154,864	\$205,118
Nunes WTP Operations	\$98,273	\$107,960
Salaries-Field	\$792,401	\$807,749
Maintenance Expenses	\$117,560	\$144,586
Salaries, Admin.	\$539,991	\$567,201
Office Expenses	\$108,130	\$111,350
Insurance	\$458,250	\$522,133
Employee Retirement	\$375,340	\$354,874
<b>Total Operating Expenses</b>	<b>\$4,571,844</b>	<b>\$5,090,442</b>
<b>Total Capital Accounts</b>	<b>\$1,282,500</b>	<b>\$1,165,972</b>
<b>Total Expenses</b>	<b>\$5,854,344</b>	<b>\$6,256,413</b>

CCWD is also an enterprise district that receives property tax revenues,. Water rates would need to be increased by 8.3% if the property tax revenue were not available. See discussion above regarding Proposition 13 resulting in distribution of property tax to enterprise districts.

**(5) Financial Overview of Utility Services for Half Moon Bay.**

While Seacoast Disposal provides solid waste service to impacted residents through the Granada Sanitary District and Montara Water and Sanitary District, Half Moon Bay is provided solid waste services, through contract by Allied Waste Services.

The operating and capital budget for the sewer services for Half Moon Bay are presented below. The operating fund largely consists of the City's proportionate

contribution to SAM. The capital expenditures largely consist of repair and rehabilitation expenditures for the sewer collection system.

<b>City of Half Moon Bay</b>	<b>2006-07 Projected</b>	<b>2007-08 Adopted</b>
	<b>Sewer Operating Fund</b>	
<b>Revenue</b>		
Interest Revenue	\$-	\$-
Sewer Service Charges	\$2,141,600	\$2,150,000
Miscellaneous	\$-	\$-
<b>Total Revenue</b>	<b>\$2,141,600</b>	<b>\$2,150,000</b>
<b>Expenditures</b>		
Salary and Benefits	\$143,010	\$151,300
Material & Supplies	\$21,540	\$25,040
Contract Services	\$2,072,927	\$2,096,349
<b>Total Expenditures</b>	<b>\$2,237,477</b>	<b>\$2,272,689</b>
	<b>Sewer Capital Fund</b>	
<b>Revenue</b>		
Interest	\$90,000	\$80,000
Sewer Connection Fees	\$71,763	\$77,500
Miscellaneous	\$-	\$-
<b>Total Revenue</b>	<b>\$161,763</b>	<b>\$157,500</b>
<b>Expenditures</b>		
Operations and Maintenance	\$445,000	\$517,000
Capital Projects	\$305,110	\$1,025,500
<b>Total Expenditures</b>	<b>\$750,110</b>	<b>\$1,542,500</b>

Because cities allocate property tax revenues to non-enterprise activities including public safety and park and recreation, unlike GSD and MWSD, Half Moon Bay does not allocate property tax revenue for operation of the sewer utility.

#### **4. COST AVOIDANCE OPPORTUNITIES.**

Cost avoidance opportunities consider such issues as the opportunity for joint agency practices, duplication of services, the impact of service practices and / or facilities in relation to service cost, opportunities for savings in overhead, etc.

The project team has identified various practices that have resulted in cost avoidance. These include:

- The creation of SAM through the partnership of Half Moon Bay, the Montara Water and Sanitary District and the Granada Sanitary District reflects a best management practice. This partnership takes advantage of cost avoidance and enhanced service level opportunities as a result of serving common constituents and taking advantage of economies of scale.
- The contracting of solid waste management by the various agencies is an example of cost avoidance through privatization. Typically smaller agencies, particular those serving geographically large and diverse areas, cannot develop an in-house operation that can effectively compete with a privatized regional service provider. As a result, the current privatization of solid waste management by Half Moon Bay, MWSD and GSD is a best management practice.
- Implementation of water conservation programs is indicative of cost avoidance strategies. For example, the Montara Water and Sanitary District has implemented rebates for low flow toilets and high-efficiency washing machines that ultimately reduce consumption and save costs. Further, MWSD has implemented a WaterWiser drip calculator on their website to show the costs and cost avoidance opportunities associated with leaks. CCWD became a signatory to the California Urban Water Conservation Council, which implements Best Management Practices for urban water conservation. Since becoming a signatory, CCWD has increased its water use efficiency programs and outreach efforts and has a detailed website identifying conservation and cost avoidance opportunities.
- The use of an contract general manager by the Granada Sanitary District to minimize administrative costs.

These examples are representative of cost avoidance opportunities that have been implemented by the respective agencies. However, in regard to further cost

avoidance opportunities, the philosophies previously adopted by the agencies may be expanded. This includes:

- Similar to the creation of SAM, further agency consolidation could likely benefit through economies of scale<sup>16</sup> resulting in cost avoidance opportunities. By example, of the nine (9) city water providers, eleven (11) special water districts, and one (1) major private (water) utility company operating in San Mateo County, both MWSD and CCWD are among the smaller service providers. GSD, with the exception of solid waste contractual management services, is generally a “pass-through” organization since SAM provides sewer service.
- Further cost avoidance opportunities may be available by jointly contracting with the same solid waste service provider to serve the entire region. As stated previously, two different contractors currently serve Half Moon Bay, MWSD and GSD. Collective negotiations among all these agencies for solid waste services with one privatized service provider could result in reduced fees for service for all participating agencies.

These types of cost avoidance examples should be explored by the collective agencies as part of efforts to reduce overall service delivery costs while maintaining or exceeding existing levels of service. Consolidation issues could benefit the region beyond cost avoidance opportunities as described later in this chapter.

## **5. OPPORTUNITIES FOR RATE RESTRUCTURING.**

The following information provides the project team’s review of rate restructuring opportunities associated with the local governments in this chapter.

### **(1) The Special Districts Are Subject to Proposition 218 Limitations Relative to Sewer and Water Rate Increases.**

A recent California Supreme Court case involving Proposition 218 requires local governments to notify property owners of certain proposed rate increases, including water rates and sewer service charges. Districts must notify, in writing, property owners of proposed rate increases. If written protests are submitted against the proposed fees

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<sup>16</sup> **Economies of scale** characterizes a production process in which an increase in the scale of the organization causes a decrease in the long run average cost of each “unit of service” produced.

or against a particular fee by the owners of a majority of the parcels identified by the District, the fees or fee will not become effective. If a majority of property owners do not submit written protests against the fees or a fee, upon adoption of an ordinance enacting the fees or fee, they will become effective. It is a necessity to inform parcel owners of each rate increase and consequently the administrative costs of such Proposition 218 notification can become burdensome.

**(2) Water Service Rates are Different for the Utility Agencies in the San Mateo County Midcoast Area.**

The following sections indicate the water utility agencies noted in this chapter have different approaches, and attendant results, to charging for service delivery.

**(2.1) The Coastside County Water District (CCWD) Charges Fees Based on Bi-Monthly Hundred Cubic Feet of Water Used and Water Meter Size.**

The CCWD charges constituents on a bi-monthly flat fee basis based on the water meter size plus a consumption charge based on Hundred Cubic Feet (HFC) of water used in the period. CCWD has a tiered rate structure meaning higher water users pay an increasing fee based on a graduated scale of water usage. This is a best management practice. Water rates are also affected by wholesale water rates charged by San Francisco Public Utility Commission.

**(2.2) The Montara Water and Sanitary District (MWSD) Charges Fees Based on Bi-Monthly Hundred Cubic Feet of Water Used and Water Meter Size.**

The MWSD charges constituents on a monthly basis based a flat fee based on the water meter size plus a usage fee based on Hundred Cubic Feet (HFC) of water used in the period. MWSD also has a tiered rate structure and as a consequence has implemented a best management practice. As noted below, factors that affect MWSD water rates include the cost to extract and treat local water.

**(2.e3) Water Fees for Service Are Dramatically Different between MWSD and CCWD.**

An examination of data from both MWSD and CCWD indicates a significantly different philosophy relative to charging customers based upon both meter size and water usage. Although MWSD and CCWD calculate fees based on monthly and bimonthly methods, respectively, the following information is calculated based upon an “equivalent standard” for comparative purposes.

**Examples of the Monthly Residential Cost of Water Service Provided by MWSD**  
**5/8” x 3/4” Water Meter**  
**(Revised 4/23/08)**

<b>Hundred Cubic Feet of Water Used</b>	<b>Monthly Meter Charge</b>	<b>Water Consumption Charge</b>	<b>TOTAL MONTHLY CHARGE</b>
12 bimonthly/2 = 6	\$30.76	\$28.40	\$59.16
24 bimonthly/2 = 12	\$30.76	\$60.68	\$91.44
36 bimonthly/2 = 18	\$30.76	\$98.39	\$129.15
48 bimonthly/2 = 24	\$30.76	\$136.10	\$166.86
60 bimonthly/2 = 30	\$30.76	\$173.81	\$204.57
72 bimonthly/2 = 36	\$30.76	\$211.52	\$242.28
80 bimonthly/2 = 40	\$30.76	\$236.66	\$267.42
88 bimonthly/2 = 44	\$30.76	\$249.23	\$279.99

**Examples of the Monthly Cost of Water Service Provided by CCWD**  
**5/8” x 3/4” Water Meter**

<b>Hundred Cubic Feet of Water Used</b>	<b>Monthly Meter Charge</b>	<b>Water Consumption Charge</b>	<b>TOTAL MONTHLY CHARGE</b>
12 bimonthly/2 = 6	\$9.85	\$19.98	\$29.83
24 bimonthly/2 = 12	\$9.85	\$41.28	\$51.13
36 bimonthly/2 = 18	\$9.85	\$68.41	\$78.26
48 bimonthly/2 = 24	\$9.85	\$100.43	\$110.28
60 bimonthly/2 = 30	\$9.85	\$134.63	\$144.48
72 bimonthly/2 = 36	\$9.85	\$168.83	\$178.68
80 bimonthly/2 = 40	\$9.85	\$191.63	\$201.48
88 bimonthly/2 = 44	\$9.85	\$214.43	\$224.28

**Comparison of the Monthly Cost of Water Service Provided By MWSD and CCWD  
for A 5/8" x 3/4" Water Meter**

<b>Hundred Cubic Feet of Water Used</b>	<b>MWSD</b>	<b>CCWD</b>	<b>Difference (MWSD versus CCWD)</b>
6	\$59.16	\$29.83	98%
12	\$91.44	\$51.13	79%
18	\$129.15	\$78.26	65%
24	\$166.86	\$110.28	51%
30	\$204.57	\$144.48	42%
36	\$242.28	\$178.68	36%
40	\$267.42	\$201.48	33%
44	\$279.99	\$224.28	25%

The following is noted:

- Both MWSD’s monthly meter fees and Hundred Cubic Feet of water usage charges exceed in most instances CCWD’s fees.
- MWSD’s water sources are local including treated surface water (Montara Creek treated at the Alta Vista Water Treatment Plant) and local groundwater wells. This compares to CCWD’s approximate 80% of water provided by the SFPUC at wholesale rates with remaining sources from local surface and groundwater. Clearly the different water sources impact cost of production and end-user fees; while local water sources are typically preferred and less costly than regional water sources (e.g. Hetch-Hetchy). However, this is not true on the San Mateo County coast. Water sales represent approximately 85% of both agencies revenue. Tax income is within a 7% to 10% range for both agencies.
- As noted previously, MWSD acquired a system that has important infrastructure and supply challenges to address and MWSD rates reflect this. There are not any MWSD financial reserves related to water, and according to the General Manager. Water revenues include water rates, board allocated property tax revenues, grants and bond financing.
- As noted above, water rates would need to be increased if property tax revenue is removed as a funding source.

In sum, despite relatively dramatic differences in water rates between agencies in the San Mateo County Midcoast area, rates are established by each agency based on cost of water purchase/acquisition, age and condition of infrastructure and in the case of

MWSD, prior rate setting and system maintenance practice by predecessor system operators.

**(2) Sewer Service Rates vary for Half Moon Bay, MWSD and GSD.**

The following sections indicate the sewer utility agencies noted in this chapter have different approaches, and attendant results, to charging for service delivery. As noted previously, many of these charges fund SAM for treatment of wastewater and disposal of effluent and biosolids.

**(2.1) Fee Methodologies**

Half Moon Bay and MWSD charge customers a sewer fee based on Hundred Cubic Feet (HCF) of water used in wet weather months. Additionally, dependent upon the facility-type (e.g. residential versus restaurant), a different fee is charged based on the “strength factor” of the wastewater influent. GSD charges all residential customers a flat fee of \$314 per annum for sewer usage. Additionally, any non-residential facility’s sewer charge is based on HCF for GSD; however, the minimum annual payment is also \$314. Charging based on water usage and strength factor, is consistent with best management practices.

**(2.2) Despite Similar Sewer Fee Charge Approaches, Rates Are Significantly Different.**

As with the water rates noted previously, sewer rates for the three agencies are significantly different. Sewer fees are illustrated in the table below.

**Sewer Rates by Facility-Type/Agency Based on Hundred Cubic Feet (HCF) Used**

<b>Facility-Type</b>	<b>HMB</b>	<b>GSD</b>	<b>MWSD</b>
Residential	\$ 14.45	\$ 10.83 <sup>17</sup>	\$ 27.44
Restaurants	\$ 26.01	\$ 5.82	\$ 49.78
Motels/Hotels	\$ 17.75	\$ 4.62	\$ 29.50
Offices	\$ 8.67	\$ 2.59	\$ 24.26
General Commercial	\$ 12.39	\$ 3.03	\$ 26.29
All Other Commercial	n/a	n/a	\$ 28.59
Schools	\$ 9.50	\$ 2.63	\$ 24.70
Hospitals/Convalescent	\$ 14.45	\$ 2.79	\$ 27.60

<sup>17</sup> Residential rate based on HCF of water is calculated from \$314 flat per annum divided by the average "class usage" figure of 2,900 cubic feet of water used/year by the "average residence."

**Comparison of Single Family Residential Monthly Sewer Bills for the City of Half Moon Bay, MWSD, and GSD**  
**Revised April 17, 2008**

<b>Amount of HCF<sup>18</sup></b>	<b>Monthly Sewer Bill for Half Moon Bay</b>
2.5	\$36.13
5.0	\$72.26
7.5	\$108.38
10.0	\$144.51
<b>Monthly Sewer Charge / HCF</b>	<b>\$14.45</b>

<b>HCF</b>	<b>Monthly Sewer Bill for MWSD</b>
2.5	\$36.59
5.0	\$45.73
7.5	\$68.60
10.0	\$91.47
<b>Monthly Sewer Charge / HCF</b>	<b>\$27.44</b>

<b>HCF</b>	<b>Monthly Sewer Bill for GSD</b>
2.5	\$26.17
5.0	\$26.17
7.5	\$26.17
10.0	\$26.17
<b>Flat Rate / Year<sup>19</sup></b>	<b>\$314.00</b>

**Comparison for All Three Local Governments**

<b>HCF</b>	<b>Half Moon Bay<sup>20</sup></b>	<b>MWSD</b>	<b>GSD</b>
2.5	\$36.13	\$36.59	\$26.17
5.0	\$72.26	\$45.73	\$26.17
7.5	\$108.38	\$68.60	\$26.17
10.0	\$144.51	\$91.47	\$26.17

<sup>18</sup> HCF measures water used by hundred cubic feet or HCF. Each HCF equals 748.05 gallons. The City of Half Moon Bay and MWSD base their charge for sewage upon the amount of water used in wet weather months.

<sup>19</sup> GSD charges a flat rate per year regardless of the amount of water consumed or sewage generated. The \$26.17 per month reflects the flat annual charge (\$314) divided by twelve months

<sup>20</sup> Half Moon Bay sewer rates, unlike MWSD and GSD are not offset with property tax

Important points to note regarding the data contained in the table are presented below.

- The first table generally reflects the use of “strength factor” in sewer fee calculations whereby restaurants (concentrated influent) have the highest HCF factor.
  - While all agencies are subject to fees set by SAM, factors that affect individual agency rates include use of property tax to offset rates, topography requiring lift stations, age of infrastructure and number of connections.
  - As rate setting bodies, the agencies have the ability, subject to Proposition 218, to set rates that reflect SAM charges, capital costs, overhead, etc.
  - 
  - MWSD sewer fees are set to incorporate infrastructure improvement needs. and budgets over the next five years approximately a half-million dollars annually for collections system and pump improvements.
- (3) Solid Waste Rates Are Linked to Privatized, Contracted Vendors for Service Recipients in the San Mateo Midcoast area.**

As noted elsewhere, solid waste service is provided to the sub-region by two privatized contractors—Allied Waste Services and Seacoast Disposal, Inc. Both companies pay moderate franchise fees to the respective oversight agencies. Equivalent comparisons between these contracted rates are difficult as the two companies take advantage of different collection processes. For example, Allied generally collects commercial waste in bins whereas Seacoast Disposal will collect in cans or commercial containers with the resultant varying fees. Half Moon Bay, for example, has its solid waste fees augmented by 10% for the franchise fee and 6% for AB 939 requirements.

Overall, fees are largely influenced by the contractors’ costs and negotiated profit margins. Thus, solid waste rate savings are largely only possible through economies of

scale. As noted previously, collective negotiations among Half Moon Bay, GSD and MWSD for solid waste services provided by only one agency could result in reduced fees for service for all participating agencies. The existing monthly refuse collection fees for a curbside once-a-week collection of a 20-gallon can, is presented in the table below.

<b>Agency</b>	<b>Monthly Refuse Collection Fee For a 20-Gallon Can Collected Once-A-Week</b>
Half Moon Bay	\$7.89
MWSD	\$8.71
GSD	\$7.99

## **6. OPPORTUNITIES FOR SHARED FACILITIES.**

Our review of the various facilities and infrastructure of the respective agencies indicates that the Midcoast area has accomplished important sharing of facilities, as practical. Of important note, SAM's sewer treatment facilities are an excellent example of Half Moon Bay, GSD and MWSD constructing and sharing the costs associated with joint facilities.

Regarding water services, MWSD has within their 2004 Water System Master Plan an intertie<sup>21</sup> between MWSD and CCWD. This "facility-sharing project" has not yet been accomplished. The infrastructure and end-user benefits of such an intertie include:

- In the event of a severe drought that affects MWSD's local surface and groundwater sources, but not Hetch Hetchy, CCWD could attempt to get an emergency exception from the SFPUC to allow transfer of some water to MWSD customers. The costs of this transfer would require reimbursement to the water supplier/purveyor.
- If the Hetch Hetchy system failed due to an earthquake or prolonged drought, MWSD and CCWD might have a sufficient local water surplus to provide restricted water supplies to CCWD and MWSD during the water shortage period.

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<sup>21</sup> An intertie is a pipeline constructed to link two independent water infrastructures.

- In the event of a major fire event in either the CCWD or MWSD service areas, the combined water storage capacities of the agencies' two systems could be utilized to perform fire suppression services.

Considerable commentary has been provided regarding potential limitations in the two water agencies sharing supply resources. One concern expressed is whether CCWD would be permitted by SFPUC to provide Hetch Hetchy water to areas outside the current service area. While this issue has not been fully explored, CCWD does have local supply that is not regulated by SFPUC. If a recycled water program is implemented that enables either district to provide recycled water for non-potable use, this would free up both imported and local supplies for residential and other potable use.

SFPUC and the Bay Area Water Supply and Conservation Agency support water recycling by SFPUC members. Both CCWD and SAM have completed studies on the feasibility of water recycling. Recycling is also considered in the ongoing Pilarcitos Integrated Watershed Management Plan. MWSD also has an Integrated Regional Water Management Plan for the Midcoast Region that includes water supply augmentation, however the plan covers the subregion of the unincorporated Midcoast, and excludes neighboring areas served by CCWD. Also of note is MWSD efforts in studying the feasibility of desalination. Efforts thus far demonstrate that while there may be consensus by coastside agencies that supports developing a reliable and safe water supply, there is not a demonstrated regional approach. Opportunities in the areas of facility, resource and supply sharing for the study area are dependent upon regional, joint efforts by SAM members, MWSD and CCWD as water agencies, San Mateo County Resource Conservation District and other appropriate resource agencies.

## **7. EVALUATION OF MANAGEMENT EFFICIENCIES.**

Both the GSD and the MWSD are small utility providers from the standpoint of customers served. MWSD has approximately ( ) water connections and about 1,800 sewer connections. The GSD serves ( ) sewer connections. Both agencies contract solid waste disposal. MWSD is authorized three administrative staff (a General Manager, an Account Specialist, and a District Clerk), while the GSD is authorized two part-time staff (contract General Manager, , and an Administrative Assistant) and a full-time District Administrator. While both District indicate little potential for savings, given the size of the agencies, customer base and contracts for service with SAM and Seacoast Disposal, the districts may wish to examine potential for further savings.

## **8. STREET LIGHTING**

This chapter of the report provides a services overview for street lighting districts service delivery in the Unincorporated Midcoast area.

The County of San Mateo provides street lighting services to the communities within the San Mateo Midcoast area. This is accomplished through three street lighting districts as described below:

- County Service Area Number 6 serves Princeton-by-the-Sea and includes 66 streetlights;
- Granada Highway Lighting District includes 125 streetlights and serves El Granada and Miramar; and
- Montara Highway Lighting District includes 204 streetlights and serves Montara and Moss Beach.

The Public Works Department of San Mateo County administers these three lighting districts. Public Works Department staff maintains and services the streetlight

fixtures on both Pacific Gas and Electric (PG & E) and County-owned poles. PG&E provides electricity and an electrical connection to each streetlight. PG & E is paid a fixed monthly fee for electrical energy to these fixtures. District revenue is provided by a share of the 1% property on the tax bills for properties located in County Lighting Districts.

The streetlights in these three districts are a mixture of high and low pressure sodium.

Additional details, including maps, are located in the Profile found in the appendix of this report.

The current Sphere of Influence (SOI) for all three lighting districts are coterminous with their respective district boundaries. The districts currently are unable to expand their services or annex additional territory beyond their current district boundaries due to the fact that the SOI does not include additional territory.

## **1. INFRASTRUCTURE NEEDS OR DEFICIENCIES.**

The County has not developed a streetlight master plan to plan for future street lighting. The master plan would define lighting levels, lighting standards, lighting types, fixture and pole styles, etc.

Streetlights in the three districts are added on a case-by-case basis. During FY 2006-07 the streetlight districts implemented the use of new maps using GIS and implemented a computerized maintenance management system to schedule and track streetlight repairs.

## **2. FINANCING CONSTRAINTS AND OPPORTUNITIES FOR RATE RESTRUCTURING.**

An examination of financing constraints and opportunities includes an evaluation of issues that affect the cost and implementation of financing mechanisms or practices used to fund needed improvements and enhance revenue streams.

The revenues associated with public street lighting systems in the County are obtained from property taxes. Under the provisions of Proposition 13, property tax is limited to a share of the 1%.

The expenditures for the three districts are based upon the rate structure charged by PG&E. PG&E has two electric rate schedules approved by the California Public Utilities Commission (CPUC) regarding street and highway lighting services. Schedule LS-1 is for PG & E owned and maintained street lighting. Schedule LS-2 is for customer owned street lighting. There are three classes of service under the LS-2 Schedule. Under Class A, PG & E only supplies energy and switching services. PG&E supplies energy, switching and maintenance services for lamps and glassware under Class B. Under Class C, PG & E supplies energy, switching and maintenance service for the entire system including lamps and glassware. The districts are Schedule LS-2, Class A.

As lighting districts, the districts do not charge fees. The three lighting districts obtain revenue primarily from secured taxes. All of the lighting districts for the year ending June 30, 2008 had revenues that exceeded expenditures. Each of the three districts have significant fund balances as indicated in the table below.

	<b>2005-06 Actual</b>	<b>2006-07 Actual</b>	<b>2007-08 Budgeted</b>
<b>Montara Lighting District</b>			
Revenue	\$122,521	\$137,939	\$92,437
Expenditures	\$24,140	\$26,468	\$33,500
Difference	\$98,381	\$111,471	\$58,937
Fund Balance	\$862,288	\$980,526	\$1,039,463
<b>CSA #6</b>			
Revenue	\$61,679	\$74,222	\$61,788
Expenditures	\$8,931	\$34,700	\$47,590
Difference	\$52,748	\$39,522	\$14,198
Fund Balance	\$578,505	\$618,027	\$629,565
<b>Granada Lighting District</b>			
Revenue	\$61,485	\$73,828	\$58,462
Expenditures	\$13,891	\$55,674	\$79,000
Difference	\$47,594	\$18,154	\$(20,538)
Fund Balance	\$515,491	\$533,645	\$513,107

The fund balances range from a little more than 6 times annual expenditures for the Granada Lighting District to 31 times annual expenditures for the Montara Lighting District. These reserves are high relative to annual expenditures.

### **3. OPPORTUNITIES FOR SHARED FACILITIES.**

Public service costs may be reduced if service providers develop strategies for sharing facilities and resources. Sharing facilities and utilizing excess capacity in another agency's service system works to avoid service duplications, reduces costs, and minimizes unnecessary resource consumption.

The County has already assumed responsibility for the maintenance and repair of streetlights in these three districts. The County already owns these streetlights. The streetlight electrical costs as a result, are approximately 60% less than if PG & E owned, operated, and maintained the streetlights.

#### **4. EVALUATION OF MANAGEMENT EFFICIENCIES.**

This section provides an evaluation of management efficiencies in the context of streetlight service providers. This section considers their effectiveness in providing efficient, quality public services.

The County's Public Works Department currently manages the six lighting districts and one county service area providing street lighting within the County. There are a number of factors that suggest the County provides efficient and effective streetlight service by the County. For example, County has already assumed responsibility for the maintenance and repair of streetlights in these three districts. The County already owns these streetlights. The streetlight electrical costs, as a result, are approximately 60% less than if PG & E owned, operated, and maintained the streetlights.

## **9. GOVERNMENT STRUCTURE OPTIONS**

Government structure opportunities consider such issues as options to provide more logical service boundaries, availability of government options that stabilize, steady and / or clarify the government process in order to reduce costs or increase customer satisfaction, opportunities to integrate services without excessive cost. Availability of government options that allow appropriate facilities to be shared and avoid the construction of extra and/or unnecessary infrastructure, etc.

This chapter presents an analysis of the options for government structure for those local governments included in this Municipal Service Review.

### **GOVERNMENT STRUCTURE OPTIONS.**

This section provides an overview of a broad set of governance alternatives, some of which reflect comments on the circulation draft, that can be considered in the context of Half Moon Bay and the unincorporated midcoast. It is important for the reader to note that this section of the municipal service review is required to include governance alternatives and advantages and disadvantages and it is not intended to serve as a fiscal analysis of each. The service review serves as a tool for agencies and the community to further examine opportunities outlined in the report. In reviewing alternatives that include consolidation of service providers, it is implicit that while there may be initial transition costs in a reorganization where two agencies proposed for consolidation each have a general manager, legal counsel and administrative staff, engineers, etc. *there is opportunity* for savings through consolidation over time due to economy of scale and elimination of duplicated positions.

According to California Association of LAFCOs (CALAFCO), one of the fundamental objectives of LAFCO's is *To Encourage the Orderly Formation of Local Governmental Agencies*. More specifically:

“LAFCOs review proposals for the formation of new local governmental agencies and for changes in the organization of existing agencies. There are 58 LAFCOs working with nearly 3,500 governmental agencies (400+ cities, and 3,000+ special districts). Agency boundaries are often unrelated to one another and sometimes overlap at random, often leading to higher service costs to the taxpayer and general confusion regarding service area boundaries. LAFCO decisions strive to balance the competing needs in California for efficient services, affordable housing, economic opportunity, and conservation of natural resources.”

Furthermore, Government Code Section 56001 of the Cortese Knox Hertzberg Act states: The Legislature also recognizes that when areas become urbanized to the extent that they need the full range of community services, priorities are required to be established regarding the type and levels of services that the residents of an urban community need and desire; that community service priorities be established by weighing the total community service needs against the total financial resources available for securing community services; and that those community service priorities are required to reflect local circumstances, conditions, and limited financial resources. The Legislature finds and declares that a single multipurpose governmental agency is accountable for community service needs and financial resources and, therefore, may be the best mechanism for establishing community service priorities especially in urban areas. Nonetheless, the Legislature recognizes the critical role of many limited purpose agencies, especially in rural communities. The Legislature also finds that, whether governmental services are proposed to be provided by a single-purpose agency, several agencies, or a multipurpose agency, responsibility should be given to the agency or agencies that can best provide government services.

Other considerations in assessing Government structure options include:

- Governmental structures can benefit from economies of scale characterized by an organization in which an increase in the scale of the organization causes a decrease in the long-run average cost of government operations.
- Governmental structures must be designed such that a policy-making body appropriately represents constituent interests.

- There are significant benefits to regionalism and regional governments. The impact of localism resulting from autonomous local governments directing policy can generate an insular perspective and fragmentation that results in decision-making that is good at the local level but less optimal, potentially costly, and/or detrimental at the regional level.
- Smaller governmental entities generally have less resources—fiscal, managerial, and personnel diversity—and consequently reduced capacity to deal with various issues.
- To facilitate simplification of government structure, legislation specific to governmental reorganization allows for consolidation of special districts that are formed under different enabling legislation.

Based on these concepts and comments on the circulation draft, the following governance options were developed.

**OPTION 1: CONSOLIDATE SERVICES IN THE UNINCORPORATED AREA INTO A COMMUNITY SERVICES DISTRICT OR A COUNTY SERVICE AREA<sup>22</sup>.**

This option would dissolve the independent and dependent special districts in the unincorporated Midcoast area and establish a community services district to provide sewer, water in the current MWSD boundaries, and street lighting. Stormwater drainage discussed above could also be assumed by a community services district..

A community services district for the Midcoast area could deliver a full range of services including parks and recreation, streetlights, water and wastewater utilities, solid waste collection, etc. There is ample precedent for community service districts in California. Examples of these community service districts are presented below.

- **Consumnes Community Services District.** This district, founded in 1985 and located in Elk Grove, provides fire protection services to the cities of Elk Grove and Galt, as well as unincorporated areas in the region. Additionally, the district provides parks and recreation services to the Elk Grove community. The District encompasses roughly 157 square miles and an estimated population of 169,100

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<sup>22</sup> Like Community Services District, a county service area is special district with a broad set of powers to provide municipal services. The difference is that a community services district is an independently governed district with a locally elected board and a county service area is governed by the Board of Supervisors.

people – 136,000 in the Elk Grove area and 33,100 in the Galt region. The District has a FY 2008 budget of \$98.5 million; 39% of the revenue consists of property tax revenue, and 19% of in lieu / State Aid.

- **Cambria Community Services District.** The Cambria Community Services District was initially formed in 1967 to provide sewer services to the community. In 1976, other small services districts in Cambria were consolidated under this district. This facilitated the expansion of the district services to include water, wastewater, fire protection, lighting, refuse, and parks, recreation, and open space. The district encompasses close to 3,200 acres and five square miles. Currently, the district serves a population of approximately 6,400 with a substantial tourist and secondary home population. The district employs approximately 33 full-time administrative and technical staff to manage its wide range of community services. The District has a FY 2008 budget of approximately \$8.4 million; 24% of the revenues consist of property tax revenue.
- **Tamalpais Community Services District.** This district is located in Mill Valley. The district delivers parks and recreation, solid waste collection, and sanitary sewer collection services. The district has a FY 2007-08 budget of \$3.9 million.

There is clear and ample precedence for the formation of a community services district for the unincorporated portion of the San Mateo County Midcoast area, with a locally elected board, that could deliver the full range of services.

There are potential advantages and disadvantages to such a consolidation; these are summarized \on the following two pages.

**Advantages and Disadvantages Matrix**

Issue Area	Advantage	Disadvantage
Operational Costs	Overall cost of service would decline, at minimum as a result of staffing decreases associated with the consolidation of executive and administrative staff and probable reduction in the costs associated with currently independent Board operations. By example, 3.25 “General Manager” positions provide oversight to the four independent special districts and each has reasonable legal representation costs. Application of property tax to non-enterprise activities would enhance ability of local government to provide other services such as park and recreation and would result in increased sewer and water fees. Overtime, fees may be reduced due to economies of scale.	Operational costs associated with consolidation could be significant, including legal; Proposition 218 requirements as a result of revised rate setting; further feasibility and other studies resulting from consolidation initiatives; public relations costs (e.g. focus groups, surveying). Some constituents would pay more for services as a result of “rate smoothing” among all existing agencies.
Infrastructure Value and Costs	Regional strategic and master planning of infrastructure could help identify the most critical needs for enhancement, rehabilitation and replacement, in particular recycling and water supply. The region would benefit from implementation of advanced asset management practices and over time, pooling of capital monies for CIP expenditures would help expedite effective lifecycle management.	Ensuring equity among areas serves as it relates to the true value/cost and lifecycle status of existing infrastructure would be problematic. Devising a cost allocation formula to ensure appropriate parity among the varied constituents who “own infrastructure assets” would be difficult.
Service Provision	Consolidation of services would result in a “one stop shop” for regional constituents as it relates to these service areas. A consolidated agency could be able to offer more and / or better services as it relates to services, short and long-term planning, etc.	Given the size of existing agencies, and the probable manageable size of a consolidated agency, there is the opportunity, though it appears to be minimal, for further bureaucratization thereby resulting in reduced service levels.

Issue Area	Advantage	Disadvantage
Political Representation	A single board would make decisions about the broad range of services provided to the community. Board membership could include appropriate representation for the region and be elected "at large" or by specific representation area. The linkage between services, and representatives dealing with common issues related thereto, would likely benefit both short and long-term planning related to these services.	There may be both a perception of loss of local control due to consolidated services. Local constituents may not believe their best interests would be served relative to their particular issues areas (e.g. focus on water, sewer recreation, and/or solid waste).
Implementation and Transitional Impacts	Consolidation can result in re-evaluating all agency operational protocols, resulting in future benefits if "best management practices" are adopted. Consolidated implementation and transitioning provides an opportunity to re-visit strategic planning, and adopt appropriate goals and objectives to move the organization forward efficiently and effectively.	Implementation and transitional impacts are likely the greatest impediment to a consolidated organization. Effectively implementing a transition from multiple agencies to one consolidated agency can administratively and politically be overwhelming, and would require significant grass-roots and political support, as well as consistent championing, to successfully effectuate.

**OPTION 2: SAM COULD BE THE SOLE SEWER AGENCY IN THE REGION, RESPONSIBLE FOR ALL WASTEWATER TREATMENT, COLLECTION AND DISPOSAL SERVICES.**

With the exception of the funding of rehabilitation and replacement of local sewer infrastructure (e.g. collection system, pumps, lift stations), the Granada Sanitary District (GSD) and the sewer responsibilities of the Montara Water and Sanitary District (MWSD) are extremely limited. These two utilities do not have staff dedicated to the maintenance and repair of their sewer systems; the districts contract with SAM for those services or outsource replacement. In effect, excluding the funding of capital improvement needs, both GSD and MWSD are “pass-through” agencies, moving funds from end-users to the SAM.

Neither agency has dedicated full-time staff to the sewer treatment, instead relying on SAM or consultant services related to maintenance, engineering, etc. In effect, both GSD and MWSD’s sewer component are “overhead costs” that could be effectively performed by SAM with the political oversight provided by the SAM Board.

Implementation would require formation of a regional sanitary district pursuant to Health and Safety Code 6400 or consolidation of GSD & MWSD and annexation of the City of Half Moon Bay to the consolidated sanitary district. A similar model exists in southern San Mateo County in that West Bay Sanitary District is a regional sewer agency serving several cities and unincorporated areas. Benefits and disadvantages would mirror those previously noted, though the order of magnitude related to benefits and detriments would, in large part, be reduced. Similar to the previously mentioned advantages and disadvantages, implementation and transition impacts could prove problematic.

An hybrid of this alternative would be for the City of HMB, MWSD and GSD to contract with SAM for billing and customer service, with the Council and Boards of the managing contract services rather than employing staff or individual contract personnel to perform these services. In essence expanding on the current agreement and providing that SAM staff would manage all operations, prepare budgets for member agencies and serve as staff to the elected bodies.

**OPTION 3: CONSOLIDATE THE COASTSIDE COUNTY WATER DISTRICT WITH THE MONTARA WATER OPERATION.**

This option would be predicated on an intertie project to bring two independent water systems an integrated system. Given full-time staffing patterns at MWSD dedicated to water services, water consolidation would result in little need for MWSD to exist as a sewer or solid waste agency, triggering a need for further consolidation as identified in Option 1 or 2. In sum, consolidation of the CCWD and Montara water operation would, by nature, be an interim or phasing step for further consolidation opportunities associated with the local governments.

If this alternative is not combined with consolidation of sewer agencies under SAM or a CSD, MWSD would continue to operate as a sewer service agency,. As a consequence, there would not be any benefits from the standpoint of the reduction of the number of special districts. In light of historic insufficient water supply, a clear advantage to the MWSD water customers would be the potential additional water supply source of SFPUC water and a regional approach for water supply and infrastructure planning for the urban coastal region.

#### **OPTION 4: CONSOLIDATE MONTARA WATER AND SANITARY DISTRICT AND THE GRANADA SANITARY DISTRICT**

Another option for government restructuring would be the consolidation of MWSD and GSD into a single entity for delivery of sewer, solid waste, and water (outside of CCWD boundaries or by detaching from CCWD). This alternative would place all of the unincorporated area under a single governing body for utilities, and would provide an opportunity for savings and rate restructuring that does not rely on property tax. This alternative would potentially also involve detachment of the portion of GSD that serves northern Half Moon Bay from the District.<sup>23</sup> This alternative is different from formation of a community services district in that it includes only transfer of services currently provided by the two agencies.

#### **OPTION 5: ANNEXATION OF THE UNINCORPORATED MIDCOAST TO HALF MOON BAY.**

While it has not been a popular notion in the study area, Government structure options include annexation of adjacent unincorporated areas within spheres of influence. The current sphere of influence for the study area is a single coastside city. Annexations, either of the entire unincorporated area or more practically smaller areas in phases, may be initiated by landowner petition, voter petition or by resolution of the City Council of Half Moon Bay or another affected special district. In cases of initiation of the annexation by Half Moon Bay, the City would be responsible for preparation of a service plan and environmental documentation, and public outreach in the affected area.

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<sup>23</sup> Upon incorporation of the City of Half Moon Bay, the northern most area was not detached from GSD. Detachment of this area from GSD would eliminate the overlap of two agencies that provide the same service containing the same territory. However, as pointed out by GSD, boundaries of the District are based on gravity flow in this area.

Depending on the number of written protests received from landowners and / or registered voters, the LAFCO Commission could order the annexation, order the annexation subject to an election or terminates the annexation.

Advantages of annexation include local control over land use planning and development requirements in an area that is an isolated urban unincorporated sub-region of the county. A single coastside city would provide for logical boundaries and service efficiencies. After annexation, property tax, sales tax and most other revenue streams accrue to the annexing city, providing a financing mechanism for service provision to the newly annexed area. However, there are financial disadvantages related to annexation of developed areas. The property tax in lieu of vehicle license fees (i.e., VLF backfill) does not credit the annexing city with the assessed value of properties annexed to the city, although it does credit the annexing city with growth in value subsequent to annexation.<sup>24</sup> Also, State law provides that the taxes, benefit assessments, fees, and charges of an agency apply to newly annexed areas.

The annexation of the Midcoast unincorporated area to Half Moon Bay would be consistent with the existing spheres of influence for the coastside, but is an alternative that would be dependent upon political support by the City, special districts and of course the voters of both areas.

#### **Option 6: Incorporation of the unincorporated Midcoast area**

Incorporation would create a city as a single multi-purpose agency to provide the broad range of services currently provided by the County and special districts.

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<sup>24</sup> It is anticipated that legislation will be proposed to correct VLF and property tax for inhabited annexations.

Incorporation would include transfer of police services with the new city either creating a police force or contracting with the County of San Mateo. The difference between this option and that of a community services district, is that the CSD option noted above does not include public safety and in addition to dissolving existing independent and County-governed special districts so that services can be provided by a single entity, cities unlike community services districts have land use responsibility. The advantage in this regard is that the same agency that has land use responsibility to implement the General Plan and meet regional housing needs allocations would have control over water and sewer infrastructure and supply. Other advantages would be local control and proximity to local government facilities. The disadvantage of incorporation is that most cities rely on a diversity of local government revenue and absent diversity are increasingly challenged in funding essential services, in particular police services.

Incorporation would assume transfer of property tax revenue from the county and special districts, adjustment of water and sewer rates since they would no longer be subsidized with property tax. Other revenue sources for cities include motor vehicle in lieu, transient occupancy tax, sales and use tax , fines, fees & forfeitures, business license tax. A incorporation application would involve a fiscal analysis, application by petition or resolution, and through the LAFCo process, a determination by LAFCo of property tax to be transferred from the County and districts to the city. There is also a requirement that city incorporations be revenue neutral for the County.

If incorporation is approved, LAFCo must hold a protest hearing that would either send the incorporation application to the voters or with 50% voter protest, terminate proceedings. If the incorporation is conditioned upon a funding mechanism, the funding would also have to be approved for incorporation to take place.

**Option 7: Community Services District alternative for Granada Sanitary District only and status quo for Montara Water and Sanitary District.**

This alternative reflects the comments of both GSD and MWSD. GSD has for several years promoted converting GSD into a community services district to allow the District continue to provide sewer and solid waste disposal services while adding park and recreation services for the GSD boundaries. MWSD would continue to exist as water and sanitary district and could potentially add park and recreation powers because water district enabling legislation permits water districts to do so. Both reorganization of GSD into a community services district and addition of park and recreation as an active power would require application to LAFCo and would be dependent upon having a funding sources, presumably property tax that would require increase water and sewer rates and a plan for providing service. Under this scenario the two districts could either contract with the City of Half Moon Bay or the County of San Mateo or operate their own park and recreation departments. In addition to ongoing revenues, implementation and plan for service would require a funding plan for capital improvements for park facilities. Advantages to this alternative would be that two existing districts would assume a service that has been identified as a need on the midcoast. This alternative would provide for designated park and recreation providers and would facilitate services dependent upon revenues. A disadvantage is that this alternative would require two

agencies, rather than one, to coordinate services for the unincorporated midcoast and the Districts do not have park and recreation expertise<sup>25</sup>. In the case of Montara Water and Sanitary, the District would be adding a new service in a relatively short period of time after taking on new water responsibilities.

**Option 8: Consolidated Water and Sanitary District for City of Half Moon Bay and Unincorporated Midcoast**

This alternative could result from a second step after initial consolidation of sewer operations and water operations as outlined above or in one reorganization proposal. This would involve combining the operations of MWSD, CCWD, GSD and the sewer operation of the City of Half Moon Bay. Given that MWSD, GSD and City of Half Moon Bay are already SAM members it could be said that it would be adding CCWD to the mix of agencies that have already consolidated sewer services and add water utility services to the model. The reorganization could take place pursuant to county water district legislation (Water Code 30000-33901) which provides for provision of both water and sewer service. This reorganization would require removing sewer services from the public works function of the City of Half Moon Bay and as regional water and sewer district would have a locally elected five-member board of directors as governing body.

Advantages of this alternative would include a regional agency for planning for water and sewer infrastructure for a population of approximately 25,000 persons in lieu of one city, three special districts and a joint power authority. In

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<sup>25</sup> GSD's contract general manager does have experience with community services districts that provide park and recreation service.

particular, a consolidated sewer and water agency would be well positioned to implement recycling for the region. Consolidation of services into one agency would provide for shared costs of governance, management and operation among approximately 8,611 sewer customers and 7,400 water customers. While a premise of any consolidation is that one community would not subsidize another in regard to rates, debt, etc., economy of scale of a consolidated agency over time, could provide for reduction of costs to the extent that savings would result in either reduction of rates or reduction of rate increases over time. Disadvantages/obstacles include the complexity of each agency's funding, rates, bonds and assessment districts, debt, etc. District Statements of Net Assets are attached.

## 9. LOCAL ACCOUNTABILITY AND GOVERNANCE

The section discusses local accountability and governance for the local governments in the Midcoast area, and provides an overview of indicators of local accountability and governance. This includes such issues as public outreach efforts, accessibility of meetings, public access to adopted budgets, the use of the website to publish public documents, etc.

Indicators to summarize local accountability and governance are summarized in the table below.

<b>Indicator</b>	<b>Half Moon Bay</b>	<b>San Mateo County</b>	<b>GSD</b>	<b>MWSD</b>	<b>CCWD</b>	<b>SAM</b>
Efforts to broadcast policy body meetings	Yes	Yes	Yes	Yes	Yes	No
Publishes finances to web site	Yes	Yes	Yes	Yes <sup>26</sup>	Yes	Yes
Publishes infrastructure plans to web site	Yes	Yes	No	Yes	Yes	Yes
Publishes goals, objectives, and performance measures to web site	Yes	Yes	No	No	No	No
Conducts annual financial audit	Yes	Yes	Yes	Yes	Yes	Yes
Publish policy body meeting agenda and minutes to web site	Yes	Yes	Yes	Yes	Yes	Yes

As the table indicates, most of the study area local governments meet these best management practice indicators for local accountability and governance. More specifically:

- All of the local governments, with the exception of SAM, televise their policy body meetings;

<sup>26</sup> 2006-2007 budget is on the District website. If the financial statements are on the site, they are not easily found.

- All of the local governments, with the exception of GSD, publish their finances to their web site (annual operating and capital budget and CAFR);
- All of the local governments, with the exception of GSD, publish their infrastructure to their web site;
- Only the County and Half Moon Bay publish goals, objectives, and performance measures to their web site; and
- All of the local governments publish the policy body meeting agendas and minutes to their web site.

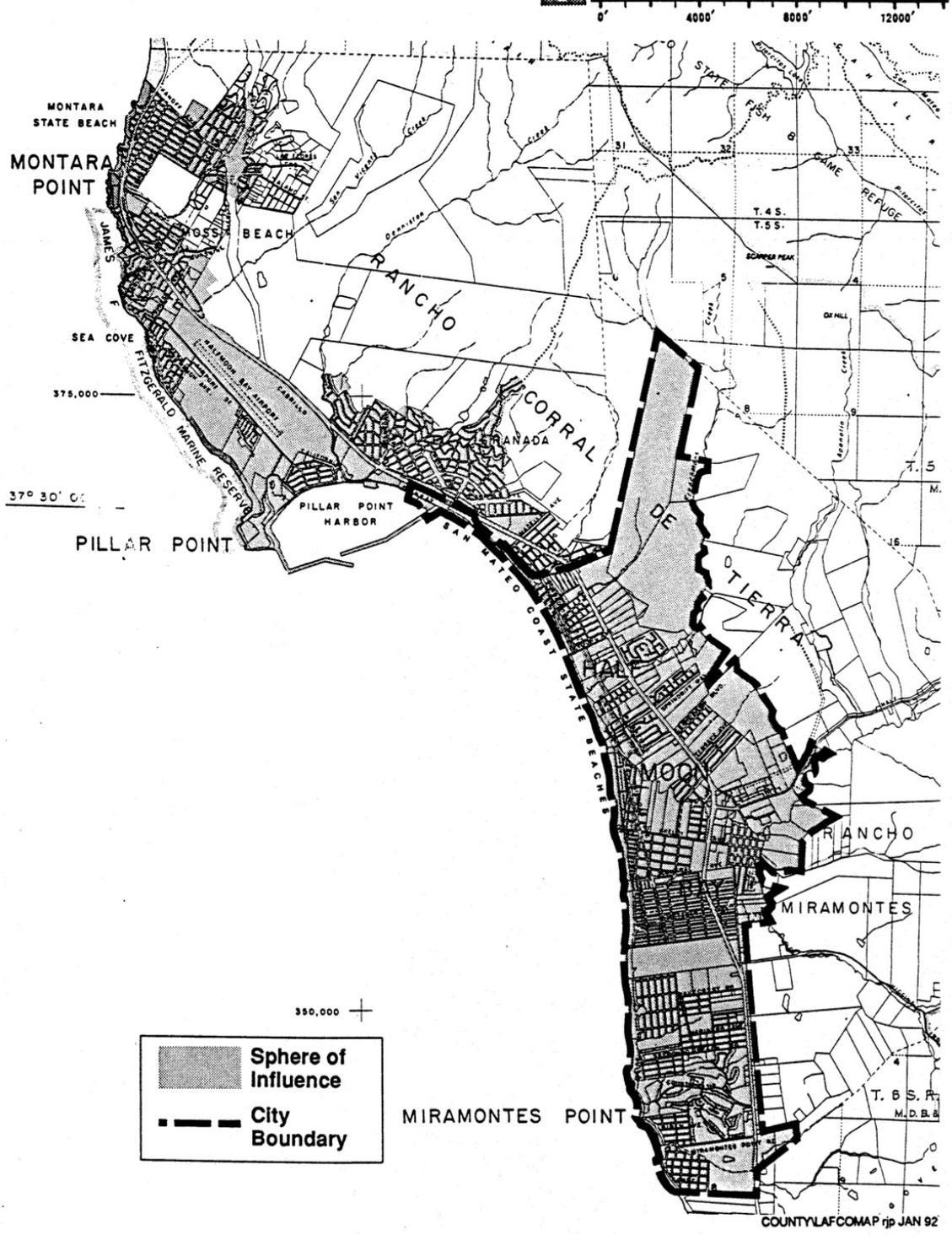
On the whole, these local governments fulfill their responsibility for local accountability and governance. Nevertheless, the number of governmental agencies providing service in the study area require that some residents would need to follow the agenda and attend meetings of up to five governmental agencies if they wish to participate in decisions concerning water, sewer, public safety, garbage pick up and land use.



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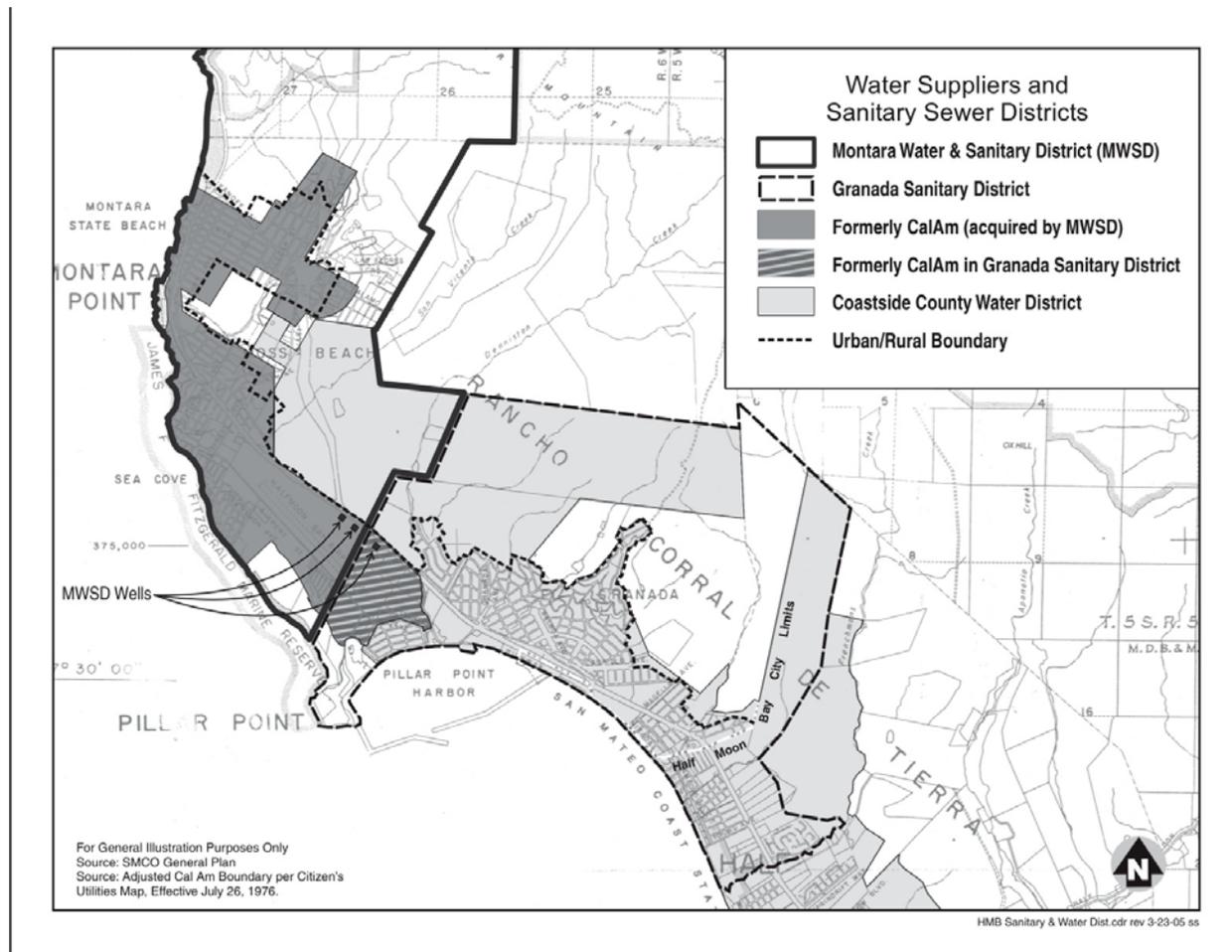
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