



Staff Report

DATE: September 16, 2015

TO: Mayor, Vice Mayor, and Councilmembers

FROM: Jim Steele, Assistant City Manager *RDL FOR JS*

SUBJECT: CONSIDERATIONS FOR OPERATIONS OF THE OYSTER POINT MARINA/PARK

RECOMMENDATION

It is recommended that the City Council review the information in this staff report and provide staff direction on actions to take, if any, following the Local Agency Formation Commission (LAFCo) recommendation to dissolve the San Mateo County Harbor District (the District)

REPORT SUMMARY/OUTLINE

This report is structured as follows:

- I. Background/Discussion
 - A. History/Joint Powers Agreement
 - B. San Mateo County Grand Jury and LAFCo Recommendation and Action
- II. Current Oyster Point Marina and Park Financial Picture
 - A. Operating Budget
 - B. Capital Improvements
 - C. Current Debt
- III. Potential Organization Structure for City Management and Financial Implications of Oyster Point Marina and Park
 - A. Reorganization of Oyster Point Marina and Park under the City of South San Francisco Parks and Recreation Department
 - B. Potential Cost of the Oyster Point Marina and Park Under the City of South San Francisco Parks and Recreation Department
 - C. Potential Capital Improvements Under the City of South San Francisco Parks and Recreation Department
 - D. Fire, Police and Public Works Impact
 - E. Anticipated Revenues Should the City of South San Francisco Assume Responsibility for Oyster Point Marina and Park
- IV. Discussion

I. BACKGROUND/DISCUSSION

A. History/Joint Powers Agreement

The City of South San Francisco entered into a Joint Powers Agreement (JPA) with the San Mateo County Harbor District (District) in 1977. Under that JPA, the District has responsibility for operation of the Oyster Point Marina and Park (OPM). Further, the District obtained State loan funding to make improvements to the marina which included: *building additional berths, dredging, leachate control and a clay cap at the closed landfill⁽¹⁾, constructing a breakwater, a promenade, landscaping, the Harbormaster's Office, a dry storage area, restrooms, a fishing pier, restrooms, lighting, sewer and utilities.*

Under the JPA, the District operates and manages OPM (including the park areas) in return for keeping the revenues from the marina, including boat/berth rentals and any lease revenue from renting land to concessionaires. A copy of the JPA and the three subsequent amendments are attached as Attachment A.

The term of the JPA expires in November 2026. Under the terms of the JPA, if the District is dissolved prior to the expiration, the rights and responsibilities of operating the Marina would be the responsibility of the successor agency of the District. The JPA also specifies that if the JPA is terminated by mutual consent of the parties, the Harbor District employees will be retained by the City for a year, and their current salaries and benefits maintained for that one year.

B. San Mateo County Grand Jury and LAFCo Recommendation and Action

On July 9, 2014, the San Mateo County Grand Jury issued a report titled *What is the Price of Disfunction? The San Mateo County Harbor District Report*. The report recommended dissolution of the San Mateo County Harbor District. On July 8, 2015 LAFCo issued a final report that was subsequently approved by the LAFCo Commission on July 15, 2015. That report concluded:

“...(Harbor District) services could be provided cost effectively by a successor agency, eliminating costs associated with a separate administration and governing board. It is therefore recommended that upon considering the accompanying municipal service review and adopting service review determinations, the Commission reaffirm the dissolution sphere of influence of the San Mateo County Harbor District...” (page 43).

(1) Under the terms of the JPA, after the leachate control system and clay cap were installed, any future improvements to those systems would be the responsibility of the City (JPA, page 16).

The report further recommended the following:

“The City of South San Francisco (SSF) and the County of San Mateo should continue to confer and research issues and options affecting the feasibility of dissolving the ...(Harbor District), transferring responsibilities to the County as successor agency, and transitioning to SSF operation of OPM via a (Joint Powers Authority) JPA” (page 41).

II. Current Oyster Point Marina and Park Financial Picture

A. Operating Budget

The Oyster Point Marina and Park in South San Francisco and the Pillar Point Harbor outside of Half Moon Bay each operate at a loss. This was one of the Grand Jury’s findings of the current Harbor District operations. As indicated in Table I below, the District’s operating costs are not covered by the District’s operating revenues, and rely on countywide property taxes to fill in the gap. The adopted budget indicates that \$3.6 million in countywide property taxes are needed to cover the gap between operating revenues and expenses.

Table I
SAN MATEO COUNTY HARBOR DISTRICT
FINANCIAL OVERVIEW

	2012-13 Actual	2013-14 Actual	2014-15 Projected	2015-16 Adopted
Revenues				
Harbor Commissioners Administration	\$ -	\$ -	\$ -	\$ -
Pillar Point Harbor	2,067,555	2,380,828	3,117,080	2,558,500
Oyster Point Marina	1,361,209	1,616,240	1,420,742	1,370,333
Total Revenues	\$ 3,428,764	\$ 3,997,068	\$ 4,537,822	\$ 3,928,833
Expenses				
Harbor Commissioners Administration	\$ 529,589	\$ 493,225	\$ 804,979	\$ 441,658
Pillar Point Harbor	1,160,628	1,190,853	1,397,954	1,567,590
Oyster Point Marina	2,291,655	2,471,208	3,117,080	3,382,650
	1,689,314	1,724,398	2,020,788	2,144,068
Total Expenses	\$ 5,671,186	\$ 5,879,684	\$ 7,340,801	\$ 7,535,966
Net Surplus / (Deficit)				
Harbor Commissioners Administration	\$ (529,589)	\$ (493,225)	\$ (804,979)	\$ (441,658)
Pillar Point Harbor	(1,160,628)	(1,190,853)	(1,397,954)	(1,567,590)
Oyster Point Marina	(224,100)	(90,380)	-	(824,150)
	(328,105)	(108,158)	(600,046)	(773,735)
Total Operating Net Surplus / (Deficit)	\$ (2,242,422)	\$ (1,882,616)	\$ (2,802,979)	\$ (3,607,133)

The budget for Oyster Point Marina includes both marina business operations and park/open space operations. Currently, Oyster Point Marina costs \$3.1 million to operate.⁽²⁾ Below are the staff costs broken out for the Oyster Point Marina and Park.⁽³⁾

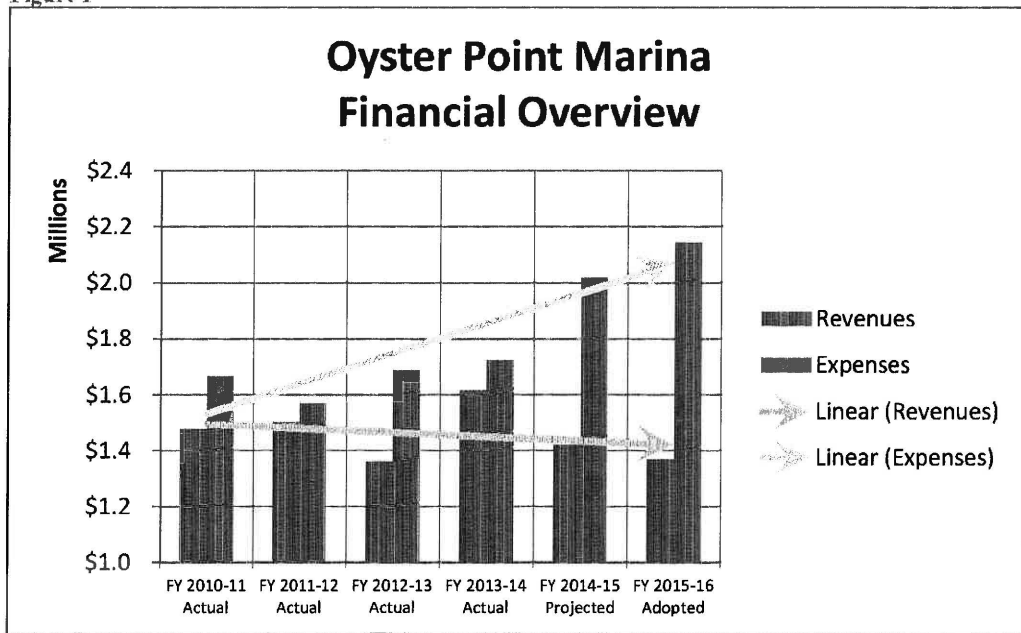
Table II
**OYSTER POINT MARINA AND PARK
 STAFFING COSTS**

Position	Hrly Rate	Annual Cost	Qty	Total	Parks	Marina
Harbormaster	\$67.57	\$207,632	1	\$207,632	\$ 41,526	\$ 166,106
Assistant Harbormaster	\$46.80	\$151,056	1	\$151,056	\$ 75,528	\$ 75,528
Lead Maintenance Worker	\$42.45	\$139,207	1	\$139,207	\$ 69,604	\$ 69,604
Business Manager (12-24 months) *	\$50.00	\$159,773	1	\$159,773	\$ -	\$ 159,773
Deputy Harbormaster	\$36.67	\$123,462	5	\$617,310	\$ 246,924	\$ 370,386
Admin Assistant I	\$29.62	\$104,259	1	\$104,259	\$ 52,130	\$ 52,130
Hourly Harbor Workers	\$15.22	\$65,034	2	\$130,068	\$ -	\$ 130,068

Total Staffing Estimate: \$ 1,509,305 \$ 485,711 \$ 1,023,593

Current Oyster Point Marina revenues are \$1.4 million, leaving an operating deficit of \$1.7 million. Considering Oyster Point Marina operational trends discretely over the past 5 years, expenses are increasing, while revenues are decreasing.

Figure 1



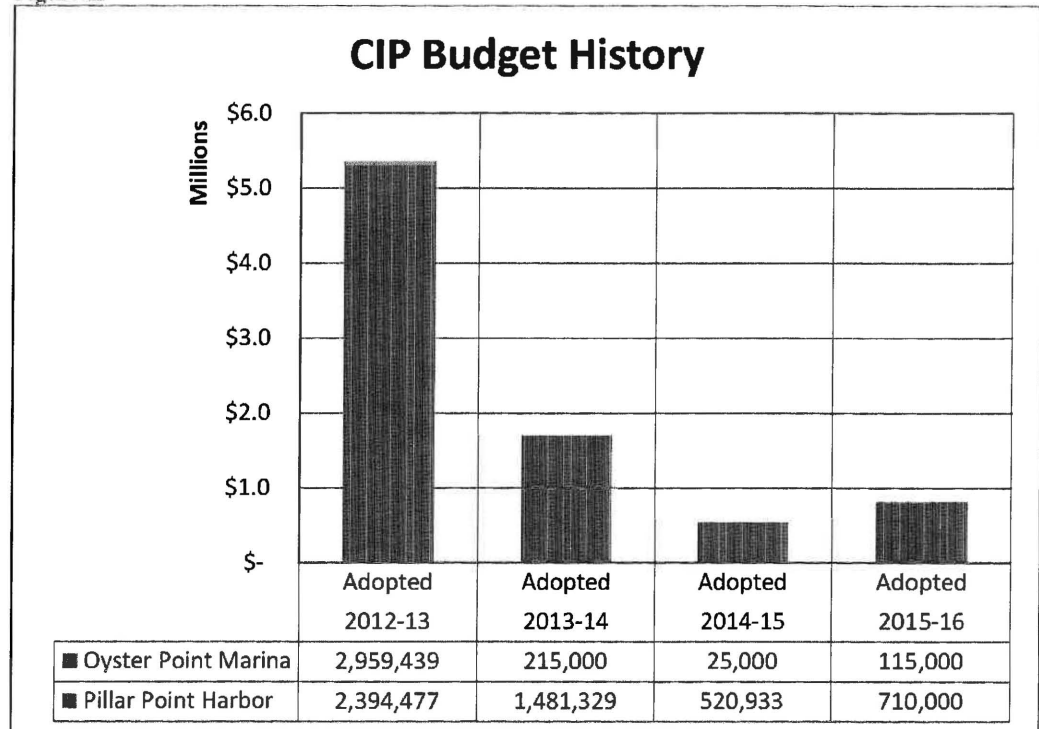
(2) The operating cost for Oyster Point includes an assumption that 50% of the cost for Harbor Commissioners and Administration is attributable to Oyster Point Marina.

(3) Based on City of South San Francisco staff estimate for allocation of staffing costs between Oyster Point Park and Oyster Point Marina.

B. Capital Improvements

The San Mateo County Harbor District has historically appropriated limited funds toward Oyster Point Marina and Park capital improvements in comparison to Pillar Point Harbor.⁽³⁾

Figure II



C. Current Debt

The Harbor District has a consolidated loan agreement with the State Department of Boating and Waterways (SDBW) that will be paid off as of December 31, 2018, with the payment schedule shown in Table III. The loan payments are factored into the budget figures cited above.

The Harbor District is actively working to refinance outstanding loan balances at a lower interest rate. From this, they hope to save approximately \$500,000 in interest expense. In addition, the Harbor District Board is considering additional debt in the amount of \$3.6 million to secure funding to begin addressing some of the capital improvements listed in Table IV.

(3) Of the \$3.0 million budgeted in FY 2012-13 for Oyster Point CIP, \$2.0 million was appropriated for dock replacement. The South San Francisco Redevelopment Agency contributed \$2.0 million, while the District contributed the remainder.

Table III

Harbor District Loan Payments By Year (Rounded):

Fiscal Year:	Oyster Point:	Pillar Point:	Total by year:
15-16	\$ 679,300	\$ 713,800	\$ 1,393,100
16-17	\$ 679,300	\$ 713,800	\$ 1,393,100
17-18	\$ 679,300	\$ 713,800	\$ 1,393,100
18-19 (Final Payments)	\$ 1,310,300	\$ 1,376,900	\$ 2,687,200
Total	\$ 3,348,200	\$ 3,518,300	\$ 6,866,500

III. Potential Organization Structure for City Management and Financial Implications of the Oyster Point Marina and Park

The following are options that the City Council could consider, given the LAFCo recommendation that the District be dissolved:

Option One: Keep the JPA in place for the term of the agreement, with the City continuing to work with the Harbor District to ensure the OPM continues to be operated and maintained consistent with the terms of the JPA (see letter from City Manager Futrell to Harbor District dated July 30, 2015, included as Attachment B).

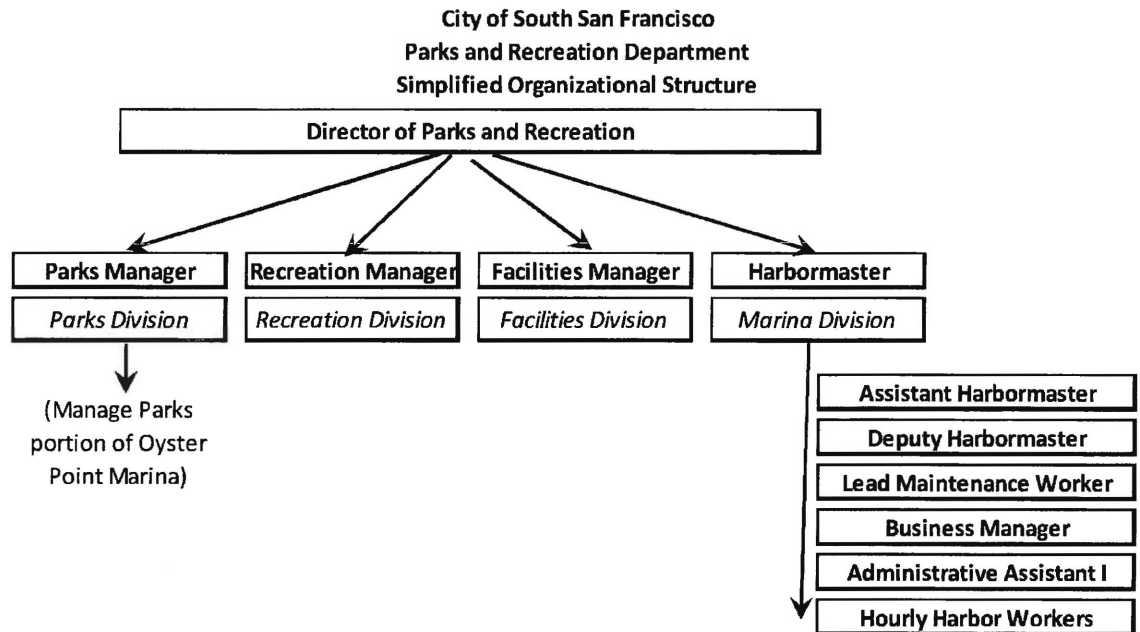
Option Two: Pursue early termination of the JPA. This is possible with mutual consent from the Harbor District Board and the City Council. The financial implications of discussed below.

Option Three: Pursue LAFCo’s recommendation and coordinate with the County on potential District dissolution following a reasonable time for the District to address identified improvements and operations. At the LAFCo meeting on July 15, 2015, the two LAFCo Commissioners who are also on the Board of Supervisors (Horsley and Tissier) indicated that they would like to give the District 12-18 months to make improvements to its operations and organization before considering dissolution.

A. Reorganization of Oyster Point Marina and Park under the City of South San Francisco Parks and Recreation Department

If the City were to take over management of the Oyster Point Marina and Park, one option is to create a new operating division within the Parks and Recreation Department, similar to how the County operates its Coyote Point facilities. The County operates the Marina portion of Coyote Point as a self-sustaining enterprise fund, while the parks/open space/public areas are operated as a regional park. A simplified organization structure for Parks and Recreation with the inclusion of the Oyster Point Marina is shown in Figure III, below.

Figure III



B. Potential Cost of the Oyster Point Marina and Park Under the City of South San Francisco Parks and Recreation Department

The City of South San Francisco Parks and Recreation Department estimates they could operate and maintain Oyster Point Marina for approximately \$3,327,305 as shown below.

Personnel Cost ⁽⁴⁾	\$ 1,509,305
Supplies and Services: Assume 15-16 Budget:	\$ 1,618,000
Annual Minor Maintenance Needs ⁽⁵⁾	<u>\$ 200,000</u>
Total Budget, Operating and Ongoing Minor Maintenance	<u>\$3,327,305</u>

Of the \$3.3 million in operating and ongoing minor maintenance budget shown above for the Oyster Point Marina and Park, City of South San Francisco staff estimate that \$862,000 is attributable to park operations, and \$2.5 million is attributable to marina operations.

(4) Assumes current marina staffing, plus a Business Manager to better market and operate the marina.

(5) \$167,000 listed in the November 2014 Oyster Point Marina Condition survey; rounded up for conservative measure.

C. Potential Capital Improvements Under the City of South San Francisco Parks and Recreation Department

The San Mateo County Harbor District commissioned a study of capital and maintenance needs at Oyster Point Marina in November 2014, which concluded that \$5.8 million in capital improvements and maintenance are needed. A summary of the study is below:

Table IV

Repair Project type	Priority				Grand Total
	1	2	3	4	
Maintenance	\$ 57,705	\$ 95,700	\$ 95,460		\$ 166,705
Dock 1		\$ 17,000			\$ 17,000
Dock 2		\$ 18,300			\$ 18,300
Dock 3			\$ 27,500		\$ 27,500
Dock 4			\$ 33,300		\$ 33,300
Dock 5		\$ 15,200			\$ 15,200
Dock 6		\$ 16,700			\$ 16,700
Harbor Master	\$ 22,705				\$ 22,705
Maintenance		\$ 16,000			\$ 16,000
Dock 1	\$ 12,000				\$ 12,000
Dock 2		\$ 3,000			\$ 3,000
Dock 3		\$ 3,000			\$ 3,000
Gate			\$ 27,000		\$ 27,000
Harbor Master	\$ 19,000	\$ 2,500	\$ 2,660		\$ 24,160
Maintenance	\$ 4,000		\$ 5,000		\$ 9,000
Restroom 4 & 5		\$ 4,000			\$ 4,000
Capital	\$ 30,000	\$ 605,000	\$ 654,000	\$ 4,250,000	\$ 5,539,000
Dock 12				\$ 1,230,000	\$ 1,230,000
Dock 13				\$ 1,560,000	\$ 1,560,000
Dock 14			\$ 35,000	\$ 1,070,000	\$ 1,105,000
East Lower			\$ 70,000		\$ 70,000
Harbor Master		\$ 20,000			\$ 20,000
Maintenance		\$ 15,000		\$ 390,000	\$ 405,000
Marina BI			\$ 174,000		\$ 174,000
Restroom 4		\$ 240,000			\$ 240,000
Restroom 4 & 5	\$ 30,000	\$ 50,000			\$ 80,000
Restroom 5		\$ 240,000			\$ 240,000
West Breakwater		\$ 40,000	\$ 300,000		\$ 340,000
East Breakwater			\$ 75,000		\$ 75,000
Grand Total	\$ 87,705	\$ 700,700	\$ 749,460	\$ 4,250,000	\$ 5,787,865

Table 2: Repair Project Prioritized Costs

D. Fire, Police and Public Works Impact

Assuming the City of South San Francisco takes over operations of Oyster Point Marina and Park, the South San Francisco Fire Chief reports there would not be a significant impact on the Fire Department. The Coast Guard has primary responsibility for patrol and search and rescue operations, thus there would be no change from the status quo. The South San Francisco Fire Department already provides search and rescue operations when initiated locally, or requested by the Coast Guard or Harbor District staff, and that would not change. The current Harbor Master has a boat to respond to emergencies during the work-day. There were a total of seven calls for service at Oyster Point Marina in 2014.

Fire Department personnel already respond to fires on land, and medical calls in the harbor and on the bay, and that would not change if the City of South San Francisco assumed responsibility.

The South San Francisco Police Chief believes his current staffing is adequate to handle any additional demand for police services. The South San Francisco Police Department already responds to calls for service at Oyster Point Marina and Park, and that would not change if the City took over responsibility. Parking enforcement issues would increase as the City of South San Francisco becomes responsible for parking on the site.

The Director of Public Works does not anticipate any change in Public Works duties if the City assumed responsibility for Oyster Point Marina and Park. Public Works currently maintains striping, lighting, the pump station and sweeping at Oyster Point Marina and Park.

E. Anticipated Revenues should the City of South San Francisco Assume Responsibility for Oyster Point Marina and Park

Absent new revenue, the City of South San Francisco staff estimates a net deficit of \$1.1 million for Oyster Point Marina operations alone. There may be opportunity to increase revenues at Oyster Point Marina. The City is consulting with Keyster Marston Associates, an expert in real estate economics and marina operations, to determine and understand what additional revenues could be gained from Oyster Point Marina operations to offset the deficit.

For purposes of this study session, as an initial point of reference, staff from the City of South San Francisco has taken the current Oyster Point Marina budget and substituted the City's estimate of operating budget needs. The result is below, and shows an ongoing revenue gap of almost \$1.1 million for marina operations and \$862,000 for park operations, not including any capital improvement needs:

Table IV

**Oyster Point Marina and Park
Funding Gap under City Operations:**

Budgeted Revenues for 2015-16: (From Table I)	\$ 1,370,333
City Est. for Marina Operating Budget (excludes Parks)	<u>\$ 2,465,216</u>
Projected Net Deficit:	\$ (1,094,883)
Parks Funding Gap will be 100%	\$ (862,000)
Total Funding Gap by taking over Marina and Park	\$ (1,956,883)

IV. Discussion

Key points to consider should the City of South San Francisco assume responsibility for Oyster Point Marina and Park include:

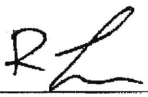
- (1) The Harbor District is burdened with debt, is actively working to refinance outstanding loan balances, and is pursuing additional debt financing in the amount of \$3.6 million.
- (2) The marina requires \$5.5 million in capital improvements as noted in Table IV.
- (3) Absent the property tax subsidy, Oyster Point Marina and Park currently operates at a loss of \$1.7 million.

Early termination of the JPA is possible by joint consent of the South San Francisco City Council and the San Mateo County Harbor District; however, termination is not recommended unless these key points are satisfactorily addressed.

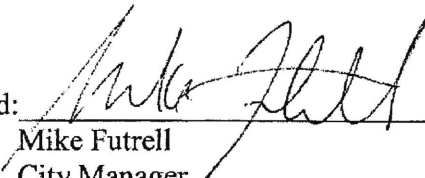
Staff Report

Subject: CONSIDERATIONS FOR OPERATIONS OF THE OYSTER POINT
MARINA/PARK

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By:  FOR JS

Jim Steele
Assistant City Manager

Approved: 

Mike Futrell
City Manager

Attachments:

- Attachment A: Joint Powers Authority (JPA) Agreement between the San Mateo County Harbor District and the City of South San Francisco, Dated July 6, 1977;
First Agreement Amending JPA, Dated October 3, 1979
Second Agreement Amending JPA, Dated November 27, 1985
Third Agreement Amending JPA, Dated February 23, 2005
- Attachment B: Letter from City Manager Futrell to Harbor District,
Dated July 30, 2015

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