



San Mateo County Harbor District

Board of Harbor Commissioners

Pietro Parravano, President
James Tucker, Vice President
William Holsinger, Secretary/Treasurer
Sabrina Brennan, Commissioner
Robert Bernardo, Commissioner

Peter Grenell, General Manager

August 22, 2014

Honorable Lisa A. Novak
Judge of Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: July 9, 2014 Grand Jury Report on the San Mateo County Harbor District

Dear Judge Novak:

On August 20, 2014 the Board of Harbor Commissioners of the Harbor District (Board) approved this response to the above-referenced Civil Grand Jury Report (Report). The report listed twelve Findings and eleven Recommendations. In accordance with the Court's instructions, the District's response to these Findings and ten of the Recommendations follow below.

INTRODUCTION

The District takes the Grand Jury report seriously. Several points in the report in particular have been noted by the District, and this response reflects the Board's recognition that there is always room for improvement.

Nevertheless, we take this opportunity to preface our comments with three key points that are reflected throughout the District's responses to the Report's specific Findings and Recommendations.

First, the Report comments that the District has evolved into a "hydra" that now engages in numerous and varied operations in excess of its abilities. In fact, the District's wide-ranging activities are entirely consistent with the statutorily authorized purposes granted by the State Legislature:

- A harbor district may acquire, construct, own, operate, control, or develop any and all harbor works or facilities within the limits of its established boundaries (Harbors and Navigation Code Section 6075 (a)).

- [A harbor district] may manage the business of the district and promote the maritime and commercial interest by proper advertisement of its advantages and by the solicitation of business within or without the district, within other States or in foreign countries, through such employees or agencies as are expedient (Harbors and Navigation Code Section 6077.4).
- A harbor district may acquire, purchase, takeover, construct, maintain, operate, develop, and regulate...any and all other facilities, aids, equipment, or property necessary for, or incident to, the development and operation of a harbor or for the accommodation and promotion of commerce, navigation, or fishery in the harbor district. (Harbors and Navigation Code Section 6077.5).
- [The Harbor District Board] may do all other acts necessary and convenient for the full exercise of its powers. (Harbors and Navigation Code Section 6078).
- The District's special act provides that the lands of the District are to be used:

...for the establishment, improvement and conduct of a harbor[,] and for the construction, maintenance and operation thereon of wharves, docks, piers, slips, quays and other utilities, structures, facilities and appliances necessary or convenient for the promotion and accommodation of commerce and navigation, and for the construction, maintenance and operation therein of structures and facilities for public recreational purposes...[Statutes of California, 1960, chapter 68, section 1(a)]

Consistent with the Legislature's command, the District provides a valuable resource for all County residents. Indeed, the District will become an even more important asset for the future as the County mobilizes to address such challenges as adapting to sea level rise impacts. A brief list of the District's critical functions will suffice to demonstrate its irreplaceable value to the County:

- Because the County Board of Supervisors created the Harbor District in 1933 with countywide jurisdiction, the District operates two facilities, Pillar Point Harbor (Princeton) and Oyster Point Marina/Park (South San Francisco). The District is thus uniquely experienced in working with both coastal and San Francisco Bay agencies and issues.
- The District operates Pillar Point Harbor under a State tidelands grant awarded by the California Legislature in 1960. This mandate includes harbor operations for commerce, navigation, and fisheries and provision of recreational facilities.
- The County Midcoast Local Coastal Program's public access policies explicitly encourage the Harbor District to continue efforts to provide visitor facilities and public access trails and related facilities (Midcoast Local Coastal Program, 10.49 and 11.30).

- The Harbor District is the first responder on the San Mateo Coast to over 100 distress calls per year for ocean search and rescue. It has received a commendation from the U. S. Coast guard for its critical public safety efforts.
- The Pillar Point facility is a State-designated harbor of refuge for the fishing fleet and other vessels, namely "a port, harbor, inlet, or other body of water normally sheltered from heavy seas by land and in which a vessel can navigate and safely moor" (Harbors and Navigation Code Section 70.3);
- The Harbor District's outstanding environmental stewardship resulted in the 2013 award of Clean Marina Certifications for both District harbors by the State Clean Marina program;
- The Oyster Point facility is an important water transportation link and part of the San Francisco Bay water transportation emergency response network, and is a designated High Opportunity Site on the San Francisco Bay Water Trail system for non-motorized vessels;
- Pillar Point Harbor is an increasingly popular regional visitor destination and location for special events on mid-coastside, as well as a location for purchasing fresh fish off-the-boats (Pillar Point);
- Oyster Point Marina/Park is a growing Bayside recreational destination and site for special events for South San Francisco and other north peninsula residents.

Second, despite the Report's intimations to the contrary, the District continues to be financially sound, as previously acknowledged by the Grand Jury in the past. Contrary to the Report, the District's budgeting and financial reporting procedures are consistent with prudent and transparent fiscal practices. The Report appears to contradict itself by indicating reports are in accordance with standards, but are not transparent. Transparency exists if the financial reports reflect the operations of the District and their books of record. The Report neither defined this term nor provided anything other than separation by enterprise and non-enterprise operations as the basis for further criticism of the District's financial reporting. This type of reporting, which is merely a preference, would require detailed tracking at such a level that it would not provide valuable planning and operating information and would be cost prohibitive, which as a public agency would not be prudent financial management of public funds.

- The Board does receive financial reporting and has always adopted its budget on time.
- The District continues to pay back its facilities development loan balance to the Division of Boating and Waterways (DBW); regular debt service payments to DBW, including the July 2014 payment, will enable the District to retire its loan balance at least one year earlier than scheduled in 2018.
- The District's employee obligation for employment termination benefits is fully funded, and the District has substantial additional cash reserves. The District acknowledges

that future pension liabilities will need to be recorded due to new Standards being established for their reporting in 2015-16. Both of these liabilities (termination benefits and pension) are funded over time as contributions are made and retirees (terminating employees) are paid, therefore indicating that these will need to be paid all at once would require all District employees eligible for benefits to leave in the same fiscal year, which does not appear to be a realistic expectation, unless, of course, the Report's recommendation of dissolution is implemented, which would burden any successor agency. Also, pension obligations are reflected in increased annual contribution rates and the District has always paid 100% of their annual required contribution, a portion of which reduces this pension obligation liability. As part of long term financial planning the District will evaluate the necessity to provide additional payments or establish reserves to further reduce this obligation.

- As is the case with all local government in a post-Proposition 13 world, the District receives property tax revenues in an amount insufficient to pay for all of the critical services it provides. The District has therefore increasingly looked to enterprise activities to increase revenues, while not cutting critical services that benefit all County residents. This is a difficult balancing act engaged in by all local government throughout California. Contrary to the Grand Jury Report, there is nothing illegal, improper, or unreasonable in balancing a budget through the use of both property tax and reserves.
- The District has appropriately commenced –before the Grand Jury issued its Report – a Strategic Business Planning process, which will provide a detailed blueprint for the District's long term financial planning and investment decisions into the future for both Pillar Point Harbor and Oyster Point Marina/Park, and a mechanism for monitoring and course corrections through annual budgeting. The Plan, whose preparation includes extensive public engagement and community outreach, will address enhancing revenues in order to reduce reliance on property tax revenue, identifying multi-year capital facilities needs and financing options, sea level rise adaptation measures, sustaining the fishing industry, and achieving further operational efficiencies.

Third, the District openly acknowledges the Report's criticisms concerning governance issues, in particular regarding collegiality among Board members. It is not proud of the negative public attention this issue has received. But the District believes that it is taking active steps to make improvements in this area. For example, the District has retained the services of a professional facilitator who is working with the Board on communication and interaction. In addition, at its meeting on August 6, 2014, the Board committed to additional training from the Special District Leadership Foundation, leading to the attainment of certification in this program for all board members and the General Manager within the current fiscal year.

With the above context in mind, we now turn to specific responses to the Report's Findings and Recommendations.

RESPONSE TO FINDINGS

F1. The Local Agency Formation Commission recommended dissolution of the Harbor District in 2006 with the County identified as the successor agency. The Grand Juries of 1990 and 1991 also recommended dissolution.

RESPONSE: The District disagrees partially with the finding in that it is selective and does not present the full context of Grand Jury action. In fact, with the Civil Grand Juries of 2000-2001 and 2001-2002 did not recommend dissolution of the Harbor District.

The 2000-2001 Grand Jury found that the District "is under sound fiscal management implementing a long range plan for maintenance and capital outlay."

In part in response to the 2001-2002 Grand Jury recommendation, the District has increased its revenues from all new or amended leases executed since 2002.

F2. The District's financial reporting meets the Governmental Accounting Standards Board requirements.

RESPONSE: The District agrees with the finding.

F3. Commissioners are not receiving timely and adequately detailed financial reporting to support fully informed decisions.

RESPONSE: The District disagrees with the finding. The Board receives financial data throughout the year and they may request additional information as needed. Consistent with best practices, the Board receives financial data for the second, third, and fourth quarters of the fiscal year in the form of comparisons of budget to actual expenditures during public mid-year budget review, budget preparation workshops, and at presentation of the preliminary budget for the following fiscal year. Quarterly Investment Reports and annual financial reports are provided to the Board at regular District meetings. The District's financial reporting is done through independent audits and financial statements, which must follow rules set forth by GASB and GAAP. The District has received clean annual financial audits consistently, which are reviewed by the Board.

F4. Committees, both standing and *ad hoc*, are not consistently formed nor do they meet with any regularity.

RESPONSE: The District disagrees partially with the finding. At this time the Harbor Commission has seven *ad hoc* committees and three standing committees:

Standing: Oyster Point Liaison
Pillar Point Citizens Advisory
Finance & Budget;

Ad hoc: Promotion & Marketing
Berthing Occupancy
New Administration Office and Post Office Lot
Harbor Environment
Oyster Point Ferry Service
Oyster Point Development
Pillar Point Coastal Trail

The Harbor Commission's *Ad hoc* committees meet when needed: committee members, who are Commissioners only, are selected by the Board President in consultation with his/her colleagues, and choose when and how often to convene, depending on the above-mentioned needs and/or as directed by the full Harbor Commission, and report back to the full Commission.

When an *ad hoc* committee is no longer needed, it is disbanded. For example, in past years the Commission created "Public Rest Room" and "New Pier" *ad hoc* committees to consider possible new related developments at Pillar Point Harbor; and also a Department (now Division) of Boating and Waterways committee to address the District's debt service concerns with DBW. These committees no longer exist as the need for them no longer exists.

The Commission's budget process, which provides for scheduled Board involvement, has reduced the need for the standing Finance Committee to meet regularly. The Oyster Point Liaison Committee was established pursuant to the Joint Powers Agreement between the District and the City of South San Francisco. This committee is convened as and when the City and District consider it necessary to address a particular issue or issues. The Pillar Point Citizens Advisory Committee, originally comprised of harbor tenants (with one at-large seat), has not been active for years as other communication means have proven more useful, e. g., those methods to be used during the Strategic Business Plan process including tenants meetings, other public meetings and workshops.

F5. Potential successor agencies exist which could reasonably assume all or some of the District's current responsibilities.

RESPONSE: The District disagrees with this finding in that it is a general statement that could actually be made about any responsibility of any local government agency. The District provides many valuable services to County residents that it believes could not practically, readily, efficiently, and perhaps even legally, be provided by any other agency. Absent a detailed and comprehensive examination of the legal, financial, organizational, and administrative implications regarding a particular responsibility to be assumed by an identified agency, the District cannot agree with this finding. Nevertheless, as discussed further in our responses to Recommendations R6 and R7, the District will attempt to implement those Report recommendations which are related to this finding.

The District points out that it operates not only under authority of its enabling legislation, but also under the State tidelands grant that allowed it to establish Pillar Point Harbor (Chapter 68, Statutes of 1960). Section 1(a) states: "That said lands shall be used by said district....for the

establishment, improvement and conduct of a harbor.....and for the construction, maintenance and operation thereon of structures and facilities for public recreational purposes...”. Further, the San Mateo County Local Coastal Program, certified by the California Coastal Commission, encourages the District to “continue its efforts to provide public recreation and visitor-serving facilities...including provision of shoreline access and trails.” (Midcoast Local Coastal Program, 10.49 and 11:30) The State, through the Coastal Commission, certifies the Local Coastal Program.

Similarly, the District’s provision of a grant-funded Bay Trail link as part of its operation of Oyster Point Marina/Park for the City of South San Francisco in accordance with City desires for the facility, and with the San Francisco Bay Plan as administered by the San Francisco Bay Conservation and Development Commission (BCDC).

Finally, the District assumed the designation of local sponsor of the Army Corps of Engineers’ North Half Moon Bay Shoreline Improvement Project (Surfers Beach) was in direct response to public concern for addressing beach erosion problems which adversely affect public shoreline access and use. This erosion was caused primarily by the Corps’ construction of the outer breakwater to provide a harbor of refuge for the Pillar Point fishing fleet and other vessels, which local citizens vigorously pursued with Congress. The District’s role in this project accords with State and County dictates cited above.

As a result of the above, it is not at all clear the extent to which potential successor agencies exist which could reasonably assume many of the District’s essential responsibilities.

F6. The District consistently requires tax dollars to offset operating losses.

RESPONSE: The District disagrees with this finding as the assumption underlying the Finding fundamentally misunderstands how local government in California operates in a post-Proposition 13 world.

The District has statutorily authorized powers as discussed above. It makes expenditures only on projects consistent with those powers. It receives revenues from a number of sources, including its share of property taxes distributed by the County under the State’s complex distribution scheme embodied in Assembly Bill Eight (AB 8). Revenues and expenditures together make up the District’s budget, but the District does not attribute a specific revenue source to a specific expenditure. By way of example, the District does not specify that its harbor master’s salary is to be paid for exclusively out of the proceeds of leases at Pillar Point Harbor. This example shows the impracticality of directly linking property tax revenues to specific operating expenses. The District produces a District-wide budget each year that includes all revenues and expenditures.

It may be that in making this finding, the Grand Jury is actually expressing a policy preference that the District rely less on property taxes as a source of revenue – indeed the Report emphasizes that this is its core concern. That political opinion is discussed elsewhere in this response, but cannot serve as the basis for this Finding.

F7. Operating losses for the last 5 fiscal years are approximately \$18.3 million.

RESPONSE: The District disagrees with this finding. Fiscal Year 2009-2013 financial state-reported operating losses total \$17.7 million (Statement of Revenues, Expenses, and Changes in Net Position, 2009-2013).

Moreover, looking only at operating losses does not present the public with an accurate picture of the District's finances. All revenues received by the District must be considered with all district expenses. In the past five fiscal years, the District has had \$5.4 million more in total revenues than total expenses. This enables the District to invest in its infrastructure, and provide services to the general public as called for in its State mandate and County policies.

F8. The District holds long-term assets that have not been revenue producing.

RESPONSE: The District disagrees partially with this Finding to the extent that many of the District's long term assets are revenue-producing, such as the Johnson Pier and the Pillar Point RV Park in El Granada. The Finding also creates a false impression of the actual situation concerning three properties identified in particular by the Report, each of which is discussed below:

(1) El Granada "post office lot": The District leased this vacant parcel over a decade ago and received revenue from this leasehold. After the lessee was unable to obtain County development approval the District terminated the lease, declared the property surplus, and is actively taking steps to sell the property. Following declaration of surplus, the District contacted several public agencies as statutorily required to solicit possible interest in the property. No interest was forthcoming, but the District was contacted by another local public agency that expressed interest in acquiring the property, and the District is presently engaged in discussions with this agency.

(2) Oyster Point Bait & Tackle parcel: At the District's Oyster Point Marina/Park, the owner of the above-mentioned business had been providing revenue to the District for years but very recently closed the business and declared bankruptcy. The District terminated the lease, but could not immediately offer the parcel for lease again because of the ongoing bankruptcy proceeding which prevented District action. The District has now regained full control of the property, and is taking steps to prepare a new lease, offer the property for lease, and obtain a new lessee.

(3) Romeo Pier, Pillar Point Harbor: The District bought this pier in 1996 on which a commercial wholesale fish business operated for a number of years, paying lease revenue to the District. The District closed access to the pier in 2002 because of structural deterioration and safety concerns, and relocated the fish business to the Pillar Point inner harbor. The District's Strategic Business Plan process will include investigation of the economic and environmental feasibility of building a new multi-use pier at Princeton to replace the old wooden Romeo Pier. The old pier retains value for mitigation credit that would be applied to offset construction of the new pier.

F9. At least 10 separate cities, towns, and special districts within the County have applied for detachment from the Harbor District.

RESPONSE: The District disagrees with this finding because it creates a false impression that any applications for detachment are currently pending. In fact, no agencies have filed for detachment in over 40 years to our knowledge.

F10. The District infrequently performs lease analyses and price/rate benchmarking.

RESPONSE: The District disagrees with this finding. The District monitors leases monthly, verifies that lessees are adhering to lease terms and conditions and analyzes data submitted for percentage rents, Consumer Price Index (CPI) adjustments, and payment status. The District conducted analyses of several of its commercial leases at Pillar Point and Oyster Point in 2006. It is presently completing an audit of wholesale commercial fishing lease fees with respect to three Pillar Point Harbor leaseholds, and will undertake market analyses of two other commercial leaseholds this year. For these and future leases, the District will consider language to provide for more frequent review of market rates and appropriate rental adjustments.

F11. The District has been operating on a 23-year old Pillar Point Harbor master plan.

RESPONSE: The District disagrees partially with the finding. The District prepared the Pillar Point Harbor Master Plan and Urban Waterfront Restoration Plan (1991), which applied only to Pillar Point Harbor, but not to Oyster Point Marina/Park or the entire District. The Plan also did not contain financial analysis or project funding feasibility, and thus was never considered as a guide for District strategic financial or operational planning. The District's current comprehensive Districtwide Strategic Business Plan process will consider any 1991 Plan objectives that remain relevant for Pillar Point and which have not been already achieved or rendered moot by subsequent events.

F12. The Santa Cruz Port District successfully weaned itself from the use of any property tax revenues while continuing to provide non-enterprise services and balancing its budget.

RESPONSE: The District neither agrees nor disagrees with this finding as it has no specific knowledge of the Santa Cruz Port District's financial operations. However, the Santa Cruz Port District is a Port District, not a Harbor District. It has an entirely different enabling legislation and hence different authorities and procedures that govern its operations. Additionally, the Port is much larger than the District's facilities, and hence it would be logical to assume that it has an entirely different revenue base than the Harbor District.

RESPONSE TO RECOMMENDATIONS

R1. The Local Agency Formation Commission will initiate a service review of the Harbor District by December 31, 2014.

RESPONSE: None required as per Grand Jury instruction.

R2. The County Board of Supervisors will begin the process of dissolution of the Harbor District by December 31, 2014.

RESPONSE: While the Report asks the District to respond to this Recommendation, we are not in a position to be able to implement, or even conduct future analysis of, this recommendation.

However, The District considers this recommendation unwarranted. Factors summarized in this response demonstrate the District's value as a unique resource to County residents and visitors, as well as the difficulties inherent in its services being provided by any other public agency. The District is financially sound and is steadily reducing its loan balance ahead of schedule, has fully funded its employee benefit obligations, has substantial cash reserves, and continues to maintain and improve its harbor facilities. While the District acknowledges that there is always room for improvement, it has already taken many actions to provide a realistic and positive response to the Report. Dissolution is neither warranted nor practical.

R3. The Harbor District will commence study, by September 1, 2014, of the Santa Cruz Port District as a model for financial planning and reporting to provide clarity to enterprise/non-enterprise revenue and expense categories.

RESPONSE: The recommendation has been implemented, in that the District has already commenced study in accordance with the Recommendation. The analysis will be completed and presented to the Board by December 31, 2014.

R4. The Harbor District will develop a plan to eliminate the use of property tax revenue for offsetting enterprise losses by March 30, 2015.

RESPONSE: The recommendation will not be implemented because it is neither warranted nor reasonable.

Under the Revenue and Taxation Code, and pursuant to the complex property tax distribution scheme resulting from Proposition 13, the District receives from the County its share of property taxes. There are no restrictions on the use to which the District puts those tax revenues, so long as it is spending money consistent with its authorized purposes. In fact, the Report confirms this right of the District when it states: "State law gives special districts wide latitude in how they can spend public tax monies. Therefore, the harbor District, like every other special district, has the discretion to use property tax monies to benefit private enterprise (like commercial fishing) if it so decides."

The Report goes on, however, to state its own policy preference regarding property tax by stating: "But despite this latitude allowed under state law, the California Legislature expressed clear intent with respect to the allocation of a special district's share of its property tax revenues: enterprise districts are encouraged to recover the cost of providing services through the fees they charge. Districts should dedicate their property tax revenues to the funding of non-enterprise services (such as search and rescue)."

There are numerous flaws in the Report's reasoning. First, to support its position as the "clear intent" of the California Legislature, the Grand Jury references a 2010 document called "What's So Special About Special Districts, a Citizen's Guide to Special Districts in California." Legislative intent is reflected in statutory law, though Courts sometimes also look to the proceedings of the Legislature that led to the enactment of specific legislation in order to discern legislative intent. This "Citizens Guide" cannot be said to represent legislative intent of anything.

Second, even were the "Citizens Guide" to reflect the preference of the Legislature, a review of this publication does not support the Report's position. The publication states the obvious: "Special districts that run enterprise activities or deliver specific services can pay for their activities with service charges." (What So Special About Special Districts? [Fourth Edition], page 9). That districts can pay for enterprise activities with services charges does not mean that they must only pay for enterprise activities with services charges and may not subsidize certain activities through tax revenues. The publication acknowledges this fact: "Special districts have coped with three decades of tough financial times. In 1977-78, the year before the voters passed Proposition 13, special districts received \$945 million in property tax revenues. In 1978-79, their property tax revenues dropped to \$532 million, a loss of almost 50%." (What's So Special About Special Districts? [Fourth Edition], page 10). Local Government throughout California is in the same situation as the District. Property tax revenues placed in cities and agencies' general funds are not segregated for specific purposes. Three examples: The San Mateo County Transit District uses sales tax revenue to subsidize bus service throughout the County. The Westborough Water District shows operating losses which are offset by property tax revenue. (Westborough Water District- Statements of Revenue, Expenses and Changes in net position for fiscal years ending June 2012 and 2013.) The Granada Sanitary district had operating losses for 2011 and 2012. The property tax revenue received offset the operating losses. (Granada Sanitary District – Statements of Revenue, Expenses and Changes in net Position for fiscal years ending June 2011 and 2012.)

In sum, while a special district that runs enterprise activities may be "encouraged" to reduce its reliance on property tax revenues, there is no such requirement to do so, nor does the California Code reflect any legislative intent that it do so.

The Harbor District is always looking for ways to increase revenues and reduce expenses, all without relying on increased taxes. In fact, a key component of its Strategic Business Plan effort currently under way is to identify new and alternative sources of revenue to augment and diversify the District's economic and financial base and reduce use of property tax revenue. But as discussed both here and in the response to Finding 6, the District uses all its revenue sources to pay for all of the valuable services it provides.

R5. The Harbor District will standardize detailed quarterly financial reporting at commission meetings by March 30, 2015.

RESPONSE: The Recommendation has already been almost entirely implemented, and will be completed implemented in accordance with the timeline set in the Recommendation. At the Board's direction, District staff already provides this information, but will expand provision to include the first quarter of the fiscal year as well given adequate staff and organizational adjustments. However, income statements show revenue and expenses to date as do budget to actual reports: the Board already receives these frequent budget to actual expense reports. These reports detail by line item how the District is reaching its budget goals while staying within the Board-approved budget.

R6. The Harbor District will identify a successor agency to assume control of the West Trail by December 31, 2014.

RESPONSE: The recommendation requires further analysis, which we will attempt to complete no later than December 31, 2014 in accordance with the Recommendation's timeline. The District will attempt to implement this recommendation, but identification of a possible successor agency is not entirely within the District's control.

The District has operated and maintained this popular public access facility for well over fifteen years, under agreement with the U. S. Air Force through whose Pillar Point Air Force Station the trail passes, and has done so consistent with the District's State tidelands grant and the County's Local Coastal Program. The District is presently in the process of obtaining permits to repair the trail. The District gets no revenue from this access facility and uses property tax revenue for maintenance..

The scope of the further analysis will include an analysis and study of (1) the various financial and other implications for the Harbor District of relinquishing control of the property, including the potential amendment of the District's tidelands grant by the State Legislature and potential amendment of the County's Midcoast Local Coastal Program Update; and (2) requesting that possible alternative agencies provide an analysis of the legal, financial, operational, and administrative capabilities to acquire and assume control of the West Trail property including making new arrangements with the U. S. Air Force, undertaking the immediate erosion control repairs to the trail including transfer of permit authority in order to keep the trail open for public use, implementing the balance of the project including trail improvements for the complete alignment, the vehicle parking lot, and provision of an ADA-compliant restroom, and reimbursement of the District for expenses incurred on the project to date.

R7. The Harbor District will explore transferring or cost-sharing with the City of Half Moon Bay, the co-sponsorship with the Army Corps of Engineers of the Surfer's Beach dredging operation by December 31, 2014.

RESPONSE: The recommendation will be implemented in accordance with the Recommendation's timeline. The District will inquire of the City of Half Moon Bay whether

there is interest and capacity to take on the financial and operational role of local sponsor for the Corps of Engineers' project, including reimbursement of the District for project expenses incurred to date. The District will also inquire of the Corps of Engineers what legal, administrative, and financial implications may exist for a shifting of local sponsor responsibilities.

Caltrans and San Mateo County have recently agreed to share responsibilities and cost of a proposed project at Surfers Beach for construction of a shoreline protection device, a segment of the Coastal Trail, and a vertical public access staircase to the beach. An inquiry would also need to explore the implications of this Caltrans/County project for the Army Corps project: whether the City of Half Moon Bay will participate in the Caltrans/County project and if not, what financial implications such lack of participation might imply for the City's ability to take on the local sponsor role of the Army Corps project including financial participation in project design, construction, and maintenance.

R8. The Harbor District will continue to seek interested parties to acquire non-revenue producing surplus properties.

RESPONSE: This Recommendation has been implemented in that the District has already begun implementation activities with regard to the District's single surplus property, the El Granada "post office lot" parcel. The District is in discussions with a local public agency that has expressed interest in acquiring the property.

R9. The Harbor District will explore the outsourcing of management of all commercial real properties to a real estate management firm by December 31, 2014.

RESPONSE: The District will explore the outsourcing of commercial property management within its Strategic Business Plan process according to the timeframe required by law: within six months from the date of publication of the Grand Jury Report.

R10. As soon as possible after November 2014 Harbor Commission elections, Harbor District will form standing and appropriate *ad hoc* committees, which meet regularly.

RESPONSE: The recommendation is already in place. The Harbor Commission's current list of committees includes: Standing: Oyster Point Liaison, Pillar Point Citizens Advisory, and Finance & Budget; *Ad hoc*: Promotion & Marketing, Berthing Occupancy, New Administration Office and Post Office Lot, Harbor Environment; Oyster Point: Ferry Service, Development; Pillar Point: Coastal Trail.

Upon taking the gavel, a new President of the Commission annually reviews the existing list of Board committees, and updates the committee list in consultation with his/her fellow Commissioners. Consistent with past practice, the new Harbor Commission President will review the existing committee set and consider possible changes; these may include eliminating those no longer needed, adding new ones if an identified need has surfaced, and/or adjusting committee membership among the Commissioners. The committees will

continue to meet as and when circumstances warrant: issues to be explored and discussed, and recommendations to be made to the full Commission.


R11. Harbor District commissioners and general manager will earn Special District Leadership Foundation certifications by July 1, 2015.

RESPONSE: This recommendation has not yet been implemented but will be implemented by the recommended July 1, 2015 timeline. The Board already approved this recommendation at its meeting on August 6, 2014.

The San Mateo County Harbor District will continue to strive to meet the needs of our constituents and community in the most transparent and user-friendly way possible. It is an honor to serve our patrons.

Thank you for your time and consideration. Should you require any additional information please do not hesitate to contact us.

Sincerely,



Pietro Parravano, President,
Board of Harbor Commissioners
San Mateo County Harbor District

cc: Board of Harbor Commissioners
Steven Miller, Legal Counsel