

SAN MATEO

**LOCAL AGENCY FORMATION COMMISSION**

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

**September 9, 2015****To:** LAFCo Commissioners**From:** Martha Poyatos, Executive Officer

A handwritten signature in black ink, appearing to read 'M. Poyatos', written over the printed name.

**Subject:** Addendum Report: Municipal Service Review (MSR) and Sphere of Influence (SOI) Study for the North County Cities and Special Districts (Continued from July 15, 2015)**Summary**

At the July 15, 2015 meeting, you opened the public hearing on the above-noted regional study, received the consultant's presentation and staff comment, opened the public hearing, and continued the public hearing to allow additional time for revisions to the report. Attached please find the revised North County MSR and SOI Study (Attachment A) and recommended determinations for North County agencies (Attachment B). The updated document was circulated on August 5, 2015 to all agencies requesting comments by September 4, 2015. No comments were received.

Staff recommends that the Commission open the continued public hearing, receive a brief update from staff, receive public comment, and consider adoption of the MSR and SOI determinations and the sphere recommendations. Staff further recommends that discussion of the agencies be taken the following order which takes into account complexity of issues and overlapping issues among agencies under study:

1. City of Brisbane
2. Guadalupe Valley Municipal Improvement District
3. Bayshore Sanitary District
4. City of Pacifica
5. North Coast County Water District
6. City of Daly City
7. North San Mateo County Sanitation District
8. Town of Colma
9. Colma Fire Protection District
10. Broadmoor Police Protection District

### **Executive Summary of Agencies**

The following provides an overview of each agency and the recommended MSR and SOI determinations:

**City of Brisbane:** The City of Brisbane, San Mateo County's second-smallest city, has 4,443 residents and is expected to grow by 1,000 residents over the next 25 years. The City has managed to stabilize revenues and expenditures over the past five years and has a reasonable unrestricted reserve of funds. Staffing levels have been adjusted to control personnel costs and future benefit expense liabilities. The City has engaged in a number of cooperative and contractual arrangements to increase management and /or operational efficiencies. The Bayshore Sanitary District (BSD) serves small portions of both the City of Brisbane and the City of Daly City. The Cities of Brisbane and Daly City and BSD should consider pursuing a joint study to evaluate the fiscal and operational impacts of dissolving BSD and becoming successor agencies within their respective city boundaries. Reaffirmation of the City's current sphere of influence is recommended at this time. (Brisbane Chapter found on Page 23 of the study. Brisbane MSR and SOI determinations begin on Page 1 of Exhibit B at end of the study.)

**Guadalupe Valley Municipal Improvement District:** The Guadalupe Valley Municipal Improvement District (GVMID) (water and sewer systems) serves an area within the Brisbane city limits comprised of an industrial park (Crocker Park) and a small residential enclave (Northeast Ridge). Currently, the GVMID serves a population of approximately 973. At build-out, expected to be on or before 2035, the service area population will grow to approximately 1,817 persons. The GVMID's revenues are primarily derived from water and sewer service charges (95 percent) and property taxes and interest income (5 percent). The District's revenue and expense management over the past five years has improved the financial condition of the agency and set aside adequate reserves for future needs. A full merger of GVMID with the City of Brisbane could result in long-term operational and administrative cost savings to the City and customers. A study of potential efficiencies and savings should be undertaken to determine the feasibility of this government structure alternative. Reaffirmation of GVMID's current zero sphere of influence is recommended at this time. (GVMID chapter begins on Page 52 of the study. GVMID MSR and SOI determinations begin on Page 5 of Exhibit B at end of the study.)

**Bayshore Sanitary District:** The Bayshore Sanitary District (BSD) serves a population of approximately 5,152 with only limited growth projected for the District in the near future. However, increased development in the two cities served by BSD (Daly City and Brisbane) may increase the District's service population in the longer-range future. The District has more than adequate financial reserves for operations and currently identified capital replacement needs. Reserves are approximately 300 percent of the annual operating expenses. The District is staffed at minimal levels and contracts out several functions, including District Engineer, Clerk, and Legal Counsel. A joint study should be undertaken by BSD, Daly City, and Brisbane to determine the operational and fiscal feasibility of governance/management structure opportunities for the provision of sewer service in the area. Reaffirmation of the District's current zero sphere of influence (indicating the District should be dissolved and the Cities of Brisbane and Daly City would become "successor agencies") is recommended at this time. (BSD

chapter begins on Page 66 of the study. BSD MSR and SOI determinations begin on Page 9 of Exhibit B at end of the study.)

City of Pacifica: Pacifica has 38,606 residents and is expected to grow to approximately 40,285 residents by 2040. The City's financial condition is not clear due to lack of verified data. The City indicates it is in the process of verifying and updating financial data. Unrestricted fund reserves are below levels generally considered acceptable to adequately address emergency or ongoing economic downturn conditions. Several specific funds are in a negative balance and should be corrected. A plan for improving revenues and containing expenditures should be prepared to address future financial needs. Two government structure alternatives have been identified: (1) merge the City of Pacifica and the North Coast County Water District; and (2) consider reducing the City's SOI to remove permanent open space areas south and southeast of the City's boundaries. At this time it is recommended that the City's current sphere of influence be reaffirmed. (City of Pacifica chapter begins on Page 187 of the study. MSR and SOI determinations begin on Page 34 of Exhibit B at end of the study.)

North Coast County Water District: The North Coast County Water District (NCCWD) is an enterprise retail water delivery district with a service population estimated at 38,189. By 2035, the service area population is expected to grow to 42,400. The District's revenue sources are primarily service charges and property tax. NCCWD has established an unallocated reserve fund and has been investing in repair and upgrade of its infrastructure. The District appears to be operating in a positive financial manner overall. The District's boundaries are almost identical to the City of Pacifica. Reorganizing NCCWD as a subsidiary district of the City of Pacifica may have long-term operational and fiscal benefits by eliminating the District's Board of Directors expenses and associated administrative overhead. Placing the Pacifica City Council as the legal authority for the District's planning and operations may also benefit the City in aligning the City's long-term land use planning and water supply needs under one agency. The City of Pacifica and NCCWD should consider pursuing a joint study evaluating the long-term merits of this alternative once the City's audits are complete and the budget is balanced. NCCWD and the Shamrock Ranch landowner are in the process of negotiating extension of water by the District to the Ranch to abandon inadequate wells. Shamrock Ranch is located in the District's sphere of influence. Reaffirmation of the District's coterminous sphere of influence is recommended at this time. (NCCWD chapter begins on Page 221 of the study. MSR and SOI determinations begin on Page 39 of Exhibit B at end of the study.)

City of Daly City: Daly City has 104,739 residents, making it San Mateo's largest city by population. Daly City is projected to add approximately 19,000 more residents between 2010 and 2030. The City appears to be moving forward with improved revenues and controlled expenditures resulting in net positive year-end balances in Fiscal Years 2013-14 and 2014-15. Although Redevelopment Agency payments and other employee benefit obligations are expected to be challenging, the City shows progress in addressing these liabilities. Government structure alternatives worthy of further study include: (1) annexation of the unincorporated islands of Broadmoor and Colma with concurrent detachment from Broadmoor Police Protection District, Colma Fire Protection District, and Colma Highway Lighting District; (2) City provision of street sweeping, streetlights, and pavement maintenance services to

unincorporated Broadmoor and Colma through a contract with the County of San Mateo; and (3) a reorganization which would include the formation of a County Service Area (along with the dissolution of the Broadmoor Police Protection District and the Colma Fire Protection District and detachment from Colma Highway Lighting District) to consolidate service provision by contract with City of Daly City. The alternative of consolidation with an adjacent city included in previous drafts is no longer recommended for study. Reaffirmation of the City's current sphere of influence (which includes the unincorporated islands of Colma and Broadmoor) is recommended at this time. (City of Daly chapter begins on Page 80 of the study. MSR and SOI determinations begin on Page 13 of Exhibit B at end of the study.)

North San Mateo County Sanitation District: The North San Mateo County Sanitation District's (NSMCSD) collection, treatment, and disposal systems serve the majority of the residents of Daly City, Broadmoor Village, a portion of the Town of Colma, the Westborough Water District in South San Francisco, and the San Francisco County Jail in San Bruno. It currently serves a population of approximately 120,000 in its service area and is expected to grow to 126,074 by 2035. The NSMCSD maintains a positive net position of assets and cash reserves. The facilities are planned and maintained within a 20-year Master Plan and CIP plan that is currently funded. The merger of the NSMCSD within the City of Daly City could result in some efficiencies of administration and a single point of contact for city residents and businesses but could only be achieved if unincorporated areas served by the District are annexed to the City of Daly City. Reaffirmation of the District's current coterminous sphere of influence is recommended at this time. (NSMCSD chapter begins on Page 117 of the study. MSR and SOI determinations begin on Page 18 of Exhibit B at end of the study.)

Town of Colma: The Town of Colma has 1,492 residents and is expected to continue modest growth over the next 20 years to reach a projected population of 2,151 in 2035. Colma is highly dependent on sales taxes and cardroom taxes. The Town's reserve balance as of June 30, 2014 was \$34,429,833. The Town's leadership continues to look toward improving its financial situation through incorporating economic development as a key component of its Strategic Plan implementation. Deteriorating infrastructure and a delay of major maintenance over the past seven to eight years has built up a backlog of maintenance projects. Public pension and benefit liabilities have been calculated to be about \$8.2 million over the next five years. The government structure alternative of merging Colma and Daly City identified in previous draft reports is no longer recommended for study. Detaching territory in the Town from the Colma Highway Lighting District may realize operational and fiscal efficiencies and eliminate the obligation for the County to provide service within a city. Property tax could be transferred from the District to the Town as a Town-governed maintenance district separate from the Town's general property tax to fund the cost of service. Reaffirmation of the Town's coterminous sphere of influence is recommended at this time. (Town of Colma chapter begins on Page 130 of the study. MSR and SOI determinations begin on Page 21 of Exhibit B at end of the study.)

Colma Fire Protection District: The Colma Fire Protection District (CFPD) serves a population of approximately 6,925 which is expected to grow to 7,618 by 2035. The District maintains a financial reserve roughly equal to one year of operating costs. The July 2014 Audit was not

complete at the time of preparation of this report and it is recommended that audits be completed in a more timely manner. Additionally, based on previous recommendations, the District indicates it intends to upgrade the District website to include agenda, minutes, budgets, and audits. The costs of operation are based upon a primary “volunteer” paid-call staffing organization structure, thereby providing services at a relatively low cost. There are not adequate revenue sources to increase the level of service to full-time staffing of the department and the District’s Fire Station requires costly seismic retrofit to accommodate full-time staffing. Over time, as additional annexations to Daly City occur, and territory is removed from the District, the District may incur additional fiscal stress which could impact service levels or create additional pressure to increase the special tax. Two additional government structure options identified for further study include: (1) dissolution of Colma Fire Protection District (CFPD), with the County of San Mateo as the successor agency and service provided by contract by Daly City; and, (2) a reorganization which would include the formation of a County Service Area (along with the dissolution of the Broadmoor Police Protection District and the Colma Fire Protection District and detachment from Colma Highway Lighting District) to consolidate service provision by contract with the City of Daly City. Development of this arrangement would require consideration of the effect on the Town of Colma, which is also included in Colma Fire Protection District’s boundaries. Both alternatives have not been supported by agencies or residents in previous drafts and would require both agency and community support to pursue. Reaffirmation of the District’s current zero sphere of influence (which indicates that the District’s public service responsibilities and functions should be reallocated to another unit of government through annexation and that, ultimately, the District should be dissolved) is recommended at this time. (CFPD chapter begins on Page 156 of the study. MSR and SOI determinations begin on Page 25 of Exhibit B at end of the study.)

Broadmoor Police Protection District: The District’s current population of approximately 4,633 residents is expected to grow by approximately 10 percent to 5,096 in 2035. The District currently provides a minimum level of service, of two officers on duty, using a combination full-duty officers and reserve officer staffing model. The District indicates it will soon have a complete June 2013 audit and it is recommended that audits be completed in a more timely manner. Additionally, based on previous recommendations, the District indicates it intends to upgrade the District website to include agenda, minutes, budgets, and audits. In addition, the District must complete calculation and establishment of the annual appropriations (spending) limit as required by State law. Funding is adequate for the current level of service but may not be in the long term for the two-patrol full-time staffing model. District finances, supported by property taxes and special tax, are generally stable. Over time, as additional annexations to Daly City occur, and territory is removed from the Broadmoor Police Protection District (BPPD), the District may incur additional fiscal stress that could impact service levels or create additional pressure to increase the special tax. Merging BPPD with the City of Daly City (with concurrent annexation of BPPD’s service territory) has the potential benefit of reducing overall service costs by eliminating duplicative staffing, administrative, and facility expenses. Although such a merger may be politically infeasible at this time, consideration could be given by both Daly City and the BPPD to jointly studying the long-term benefits of this government structure

