

**LAFCo Municipal Service Review and Sphere of Influence Update
City of San Mateo, Crystal Springs County Sanitation District
County Service Area 1
And Other Related County-Governed Districts¹
March 13, 2013**

Executive Summary:

The following Municipal Service Review and Sphere Update is a state mandated report that has been circulated for comment and presented at a public workshop on February 20, 2013. ² Comments are incorporated in this report and attached. The purpose of the study is for the Commission to adopt Municipal Service Review Determinations as required by Government Code Section 56430, Sphere of Influence Determinations pursuant to Government Code Section 56425 and either reaffirm or amend the sphere of influence of the City of San Mateo and County Service Area 1. (Based on enabling legislation, Crystal Springs County Sanitation District is not subject to LAFCo spheres of influence).

Based on information in the report and comments received from the City of San Mateo, County of San Mateo, Highlands Recreation District and residents, recommended determinations and sphere recommendation have been prepared. Recommended municipal service review determinations are found on pages 51 through 56, sphere determinations are found on pages 57 through 59. The recommendation to reaffirm the sphere of influence of the City of San Mateo is found on pages 59 and 60. The recommendation to reaffirm the sphere of influence of County Service area is found on page 60.

Considerable comment has been focused on opposition to annexation. As emphasized in the draft report, LAFCo e-mail communication in responses to comments and at the February 20 Community Workshop, this study does not represent a proposal for annexation, rather it contains for the first time in one document the budgets of the various districts that provide service to the study area, identifies various governance alternatives and offers opportunity for affected agencies and the community to examine sustainability of existing service models and alternatives to same.

¹ See Separate MSR/SOI Review for Highlands Recreation District

² ***Relevant comments on the November 15, 2012 circulation draft are incorporated into this report in bold and italics and a complete set of written comments received are attached to this report. In general, speakers including Homeowner Association representatives, Highlands Recreation District representatives and residents voiced strong support for the current Sheriff and Fire service model and support for Highlands Recreation District. The Commission has since received numerous e-mails expressing strong support for the current CalFire, Sheriff service and Highlands Recreation District and strong opposition to annexation to the City of San Mateo. A small number of e-mails supported exploring annexation.***

Section 1: Overview

This report is a State-mandated municipal service review and sphere of influence update for the City of San Mateo and County-governed districts serving the City and areas in the City's sphere. Government Code Section 56430 requires that LAFCo complete municipal service and sphere of influence reviews on all cities and special districts. A sphere of influence is a plan for boundaries of a city or special district. The City of San Mateo sphere of influence includes unincorporated Highlands/Baywood Park/Baywood Plaza, the Peninsula Golf and Country Club **and the County's Tower Road Facilities**. The municipal service review is not a proposal for reorganization of agencies, rather a State-mandated study of service provision in regard to the following seven areas of determination as set forth in Section 56430:

- Growth and population projections for the affected area
- *The location and characteristics of any disadvantaged unincorporated communities³ within or contiguous to the sphere of influence.*
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies *including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.*⁴
- Financial ability of agencies to provide services
- Status of, and opportunities for, shared facilities
- Accountability for community service needs, including governmental structure and operational efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission policy

Once adopted the service review determinations are considered in reviewing and updating spheres of influence pursuant to Government Section 56425. The sphere of influence, which serves as the plan for boundaries of a city, is discussed in the second part of this report. Simply put, the sphere of influence indicates which city can best provide municipal services to an urban area. This State-mandated study is intended to identify challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city service, finance and opportunities to share resources prior to LAFCo adoption of required determinations. ***This version of the report incorporates comments received on the February 4, 2013 Circulation Draft and includes recommended determinations as required by Government Code Section 56430. To assist the reader, revisions are in bold and italics. Comment letters are attached to this report.***

³ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

⁴ Language in Italic was added by amendments chaptered and effective November 2011.

San Mateo Local Agency Formation Commission (LAFCo): LAFCo is a State-mandated, independent commission with countywide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations and dissolutions. Among the purposes of the commission are discouraging urban sprawl, preserving open-space and prime agricultural lands, efficiently providing government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances.

The Commission includes two members of the Board of Supervisors, two members of city councils from the 20 cities, two board members of 23 independent special districts, a public member, and four alternate members (county, city, special district and public). LAFCo adopts a budget and contracts with the County of San Mateo for services. The Executive Officer serves as LAFCo staff reviewing boundary change applications and preparing municipal service reviews and sphere of influence studies. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities and the 22 independent special districts.

San Mateo LAFCO prepared comprehensive sphere of influence studies and adopted spheres of influence (SOI) for cities and special districts in 1985 and subsequently reviewed and updated spheres on a three-year cycle. Updates focused on changes in service demand within the boundaries of cities and special districts. After enactment of the Cortese-Knox-Hertzberg Act of 2000 and the new requirement to prepare municipal service reviews in conjunction with or prior to sphere updates, San Mateo LAFCo began the process of preparing Municipal Service Reviews (MSRs) and SOI updates in late 2003. Studies were first prepared on sub-regional and county-wide independent special districts, followed by south county cities and special districts. A comprehensive report on the City of Half Moon Bay, Unincorporated Mid-Coast and independent special districts was prepared and adopted by the Commission in October of 2008.

Local Government in San Mateo County:

Municipal service providers in San Mateo County include the County, 20 cities, 23 independent special districts, five subsidiary districts governed by City Councils and 32 County-governed special districts.⁵ It should be noted that the County plays a dual role that differs from cities or districts. Districts provide a limited set of services based on enabling legislation. Cities generally provide basic services such as police and fire protection, sanitation, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. The County along with independent water, sewer and fire districts also provides basic

⁵ Other municipal water providers include mutual water companies and private utility companies

city services for residents who live in unincorporated areas. According to Census 2010 data, 61,222 of the County's total 718,451 residents live in unincorporated areas.

Municipal Service Review/Sphere of Influence Update:

This MSR/SOI Update examines the City of San Mateo and County-governed special districts providing services in unincorporated areas in the City of San Mateo sphere of influence. It also takes into account joint power and other agreements between the City of San Mateo, County of San Mateo and surrounding agencies including the City of Foster City and discusses opportunities for further efficiencies in municipal service delivery that can be examined by these agencies. Concurrently, MSR/SOI updates are also being prepared for the City of Foster City, Hillsborough, Burlingame and Highland Recreation District.⁶ In addition, the MSR/SOI examines potential consolidation of County-governed sewer and sanitation districts with neighboring cities versus consolidation of the non-contiguous districts into a single county sewer agency.⁷

LAFCo prepares the municipal service review and sphere update based on source documents that include Adopted Budgets, Basic Financial Reports and Audits, Capital Plans, Urban Water Management Plans and Planning Documents including the General Plan. Draft Service Reviews and Sphere Updates are then circulated to the agencies under study and interested individuals and groups. The final Municipal Service Review and Sphere Update includes comments on the circulation draft and recommended determinations for Commission consideration. Municipal service review determinations must be adopted before the Commission updates or amends a sphere of influence.

Section 2: Summary of Key Issues

Key issues identified in compiling information on the City of San Mateo, unincorporated areas and County-governed special districts include the following:

1. As noted in the City's 2012-14 Proposed Business Plan, the national recession that began in 2007 and 'officially' ended in 2009 left lingering effects on revenue trends which are not yet keeping pace with year to year growth in pre-recession years.
2. The City of San Mateo, like all California local government, is in a multi-year process of correcting a structural budget imbalance resulting primarily from the economic

⁶ The Municipal Service Review and Sphere Update for the Highlands Recreation District is available on the LAFCo website at www.sanmateolafo.org

⁷ Consolidation of non-contiguous County-wide sewer and sanitary districts into a single County-governed district responds to a request from the County of San Mateo as a condition of a consent decree between the County, Burlingame Hills Sewer Maintenance District and San Francisco Baykeeper (Baykeeper) resolving a lawsuit filed by Baykeeper.

downturn, State shifts of local government revenue, rising personnel costs and dissolution of redevelopment agencies.

3. At the writing of this report, the County, cities and special districts are considering various resource sharing and cost-cutting measures including but not limited to contracting and sharing services in the areas of police, fire and public works services to achieve efficiencies and economies of scale. In this area, the Cities of San Mateo and Foster City are sharing administrative and other services and have signed an 18- month contract with the City of Belmont for shared services.
4. Practices to balance the budget include measured use of reserves, revenue enhancement, temporary suspension of contributions to the capital improvement fund (CIP), employee compensation reductions including furloughs, and \$2.5 million in savings from all City departments. The City's 2012-14 Business Plan reinstates the \$2.935 million CIP contribution and now includes labor compensation restructuring for all employees. These changes include greater employee participation in health and retirement costs and reduced retirement formulas. The City's long term financial forecast is updated to assess further actions to ensure long term financial sustainability.
5. For the County of San Mateo and residents in unincorporated areas, existence of 18 non-contiguous unincorporated neighborhoods on the bayside creates inherent inefficiencies in provision of municipal services by the County including road maintenance, sewer service, police and code enforcement and building inspection. Based on proximity to city facilities, annexation of unincorporated areas to adjacent cities would provide for economies of scale and more efficient response.
6. Because the variety of municipal services provided by the County to each unincorporated area is funded and accounted for by various departments including Public Works,⁸ Sheriff, County Manager's Office in administration of CalFire, CSA 1 and Animal Control contracts, the Planning Department for Code Enforcement, etc. the County of San Mateo does not track the total cost of municipal services provided to each individual unincorporated area. Consideration could be given to implementation of methods of capturing the cost of all municipal services provided to individual unincorporated islands to be more accountable for County resources.
7. ***The City of San Mateo Public Works Department, in commenting on the Circulation Draft, emphasizes that the City seeks to cooperate with the mandated LAFCo study and collaborate with the County of San Mateo Department of Public Works to achieve efficiencies for rate payers of both sewer entities and the City has not initiated discussion of annexation.***
8. If there is consensus on the part of residents and the City that annexation is feasible, prior to annexation the City is required to prezone the territory stipulating what land use policies would apply to the area. The City has discretion to adopt land use policies that retain the character of the neighborhood.

⁸ County Public Works administered special districts for water, sewer, lighting, drainage do track the revenues and expenditures related to districts serving unincorporated areas.

9. Part of the annexation process includes a property tax negotiation between the County of San Mateo and the City, which is a discretionary process that can serve as an incentive to the City to annex the territory to assure revenues cover the cost of providing service to the area and at the same time relieving the County from the cost of service responsibility.
10. In the case of the ten County sewer and sanitation districts, challenges in operating many non-contiguous sewer districts include the relative small size of systems and number of ratepayers as well as the age of the infrastructure. In two cases, lack of ratepayer support for rates to adequately fund service has resulted in insufficient sewer service revenues to fund capital improvement projects to avoid overflows and resulting fines and litigation. The Town of Hillsborough and City of San Mateo have also been subject to fines. This report discusses organizational opportunities that **may** exist for the City of San Mateo and the County to collaboratively plan for more efficient and effective sewer service needs of unincorporated areas that flow through the Hillsborough and San Mateo systems to the San Mateo wastewater treatment plant.
11. Governance alternatives for unincorporated areas include annexation to the City of San Mateo⁹ to provide for more efficient service delivery and give the City control over land use decisions that impact the City's sewage treatment capacity planning, and establishment of a subsidiary district of cities that transport effluent which would place Crystal Springs County Sanitation District customers in the City of San Mateo customer base, affording more efficient service delivery and a regional approach to serve communities served by interconnected systems and the same sewage treatment plant.
12. **Other governance alternatives include:**
 - a) ***Expanding the boundaries of either County Service Area 1 or the Highlands Recreation District (an independent community services district) to include all of the unincorporated study area and transfer all municipal service authority to either a county governed county service area or an independently governed community services district.***
 - b) ***Continued existence as an unincorporated community served by several districts and in particular, a relatively small sanitation district distant from County Public Works facilities, resulting in a small customer base bearing the costs of significant operations and capital costs compared to adjacent city systems.***
13. ***The District, homeowners associations and residents of the study area have indicated strong support for County Service Area 1 and Highlands Recreation District services, continued independence of the Highlands Recreation District and strong opposition to annexation of the Highlands/Baywood Park/Baywood Plaza to the City of San Mateo.***
14. Sewer rates for County-governed Crystal Springs County Sanitation District (District) discussed in this report include the cost of maintaining the District system as well as capital costs associated with that system and downstream agency capital

⁹ ***Extensive comments opposing annexation and supporting independent governance of the Highlands Recreation District have been received from residents, the homeowners associations and the Highlands Recreation District. (Please see attached comments.)***

improvements, and the cost of transporting and treating the District's waste which is determined by the Town of Hillsborough, the District and City of San Mateo for transport and City of San Mateo for treatment. This results in the District's sewer service charges being greater than a comparable user within the Town of Hillsborough or the City of San Mateo.

15. In the area of fire protection and emergency response, collectively the County of San Mateo, cities and fire districts spend in excess of \$185 million dollars annually on fire protection and emergency response.¹⁰ A countywide (versus agency-by-agency) study of fire protection and emergency response would identify potential efficiencies including potential for further consolidation of fire agency resources that are inherently interdependent as the result of a longstanding, countywide automatic aid agreement.
16. In County Service Area 1, property tax is collected for enhanced police and structural fire protection that was an identified need when the community was developed prior to construction of Highways 92 and 280 and prior to westward expansion of City of San Mateo residential development as well as Station 27 located at 1801 De Anza Boulevard. ***In addition, there is a voter approved annual parcel tax of \$65 per parcel.***
17. ***The combined annual budgets of County Service Area 1, Crystal Springs County Sanitation District and the lighting, landscape and drainage maintenance districts total \$6.1 million.***
18. Unincorporated Highlands, Baywood Park and Baywood Plaza have sewer, water and road infrastructure substantially consistent with that of nearby cities.
19. Financing infrastructure improvements to serve existing development in unincorporated areas is dependent upon rate adjustments or a new funding source such as an assessment, parcel tax or "pay as you go" funding common with new development.
20. Most recently the recently approved 11-lot Ticonderoga residential subdivision resulted in open space dedication of 92 acres surrounded by the Highlands and Baywood Park neighborhoods. The developer is working with agencies including the Highlands Recreation District as a potential successor to these lands. Because these lands are not of regional benefit and based on proximity to the Highlands/Baywood Park and the City of San Mateo, other potential successor agencies include the City of San Mateo or County Service Area 1.

¹⁰ Based on 2010/2011 appropriation budgets of the County Structural Fire Fund, cities and special districts that provide fire protection and emergency response. See attached table.

Section 3: City of San Mateo

The following provides background on key events that contributed to formation of cities in San Mateo County and the continued existence of the 18 non-contiguous, unincorporated communities on the bayside of San Mateo County as well as events specific to San Mateo and the Highlands/Baywood Park/Baywood Plaza unincorporated area.

Key Events in City Boundaries and County Development:

- 1856 County incorporation
- 1860 County Census population of 3,214
- San Francisco to San Jose railroad track was completed in 1864 with first service through San Mateo on October 17, 1863
- 1894 City of San Mateo second city to incorporate after Redwood City¹¹
- 1900 Census population of San Mateo was 1,892 and County population was 12,094
- 1906 San Francisco Earthquake creates demand for new housing for refugees from San Francisco
- 1934 Hetch Hetchy Water system completed and cities, water companies and districts on the Peninsula were assigned water service areas. (City of San Mateo and surrounding unincorporated areas included in California Water Service Company Service Area)
- Post WWII boom and rapid development on Peninsula
- 1947 Formation of Crystal Springs County Sanitation District to serve newly subdivided Highlands and Baywood Park
- 1950 Census population of San Mateo was 41,782 and County was 235,659¹²
- 1957 Highlands Recreation District formed and bonds sold to construct Highlands Recreation Center which was completed in 1959
- 1963 LAFcos created to regulate city and district boundaries in response to post WWII sprawl
- 1960's and 1970's City of San Mateo expands boundaries westward in a series of annexations related to new residential subdivisions
- 1978 Proposition 13 passed resulting in fiscalization of land use (With property tax roll back and assessment limited to 1% of assessed value, cities focused on revenue generating land uses such as retail, commercial and hotel development to raise new revenues slowing annexation of developed residential areas.)
- Annexations of unincorporated areas have since primarily been limited to development related proposals. Developed residential areas remain unincorporated for a variety of reasons including lack of interest by cities to take in areas that have inadequate

¹¹ Large scale annexations to San Mateo following incorporation took place in 1909-1910, late 1920's, 1960-1970's.

¹² Indicative of the rapid Post World War II growth, the County population doubled from 1940 Census to 1950 Census

infrastructure, provision of municipal water and sewer by the County or private utilities eliminating need to annex to a city for municipal sewer and water, disincentives in State tax shifts that make annexation of inhabited residential areas less attractive to cities, and reluctance on part of unincorporated residents for a variety of reasons, including a belief that annexation will result in higher taxes, intensification of land use or the rural character of their neighborhood will change upon annexation.

Governance

The City of San Mateo incorporated as San Mateo County's second city in 1894 and is a charter city¹³ with five council members elected at-large. The Council selects the Mayor and appoints the City Manager, City Attorney and City Clerk. The City Council meets the first and third Mondays of the month at 7:00 p.m. at the City Council Chambers located at 330 West 20th Avenue, San Mateo. Agendas, staff reports and minutes are available on the City's website and through e-mail subscription. Agendas are also posted in locations throughout the City. The City publishes a newsletter and separate recreation guide that are also available on the City website. The City has ten advisory committees and commissions addressing city services including planning, youth, seniors, parks and recreation, library, and community improvement. Details on each can be found on the City's website.¹⁴

Census 2010 population for the City is 97,207 persons. (Census 2000 was 92,482). State Department of Finance January 2012 estimated population is 98,298 persons. The City is bordered by Burlingame to the north, Foster City to the east, Belmont to the south, and Hillsborough and San Mateo County to the west. City boundaries include 14.6 square miles, including 3.87 square miles of tidelands from San Francisco Bay to the east and a portion of coastal mountains to the west. The majority of the City of San Mateo and sphere of influence are included in the San Mateo Foster City Elementary School District, San Mateo Union High School District¹⁵ and San Mateo County Community College District. The City boundaries and sphere of influence are shown on Map A.

¹³ The City of San Mateo became a charter city in 1922. The current charter has been amended half a dozen times, most recently in 2002. Charter cities have legal authority that resides in a voter approved city charter versus general law cities that operate according to laws of the State. In adopting a charter, cities can more specifically determine municipal affairs such as size of council versus the five-member council and certain tax rates such as property transfer tax set in State law. Approximately one-fifth of California's 477 cities are charter cities. Of the 20 cities in San Mateo County, Redwood City and San Mateo are the only charter cities.

¹⁴ The City website (www.ci.sanmateo.ca.us) contains extensive information about city services, fees, activities, budget and audited financial reports.

¹⁵ Small areas in southwestern and southeastern San Mateo are included in the Belmont-Redwood Shores Elementary School District and two small non-residential areas are included in the Hillsborough Elementary School District. Areas at the south western and south eastern boundaries of the City of San Mateo are in Sequoia Union High School District boundaries.

City Operations:

San Mateo is a full service city with the exception of municipal water. City services include: police, fire and emergency response, public works (including roads, traffic signals, street lights, drainage, facility maintenance, sewer, storm drains and levee) planning and building, library, parks and recreation and general city administration. A more detailed list of city services and programs can be found on Page viii of the City’s 2012-14 Business Plan. Appendix A includes a profile of the City and the table below summarizes service delivery patterns.

Service	Provider
Police, Fire, Park & Recreation, Library, Street Lights, Streets/Street lights, Sewer/Sewage Treatment, Drainage	City of San Mateo
Water	California Water Service Company, Estero Municipal Improvement District and City of Burlingame
Animal Control	Peninsula Humane Society via Contract administered by County of San Mateo
Solid Waste/Recycling	Recology under a franchise agreement granted by City of San Mateo

A) Growth and Population Projections - City of San Mateo Growth and Population Projections

As noted above, the State Department of Finance January 2012 estimated population for the City was 98,298 persons (Census 2010 was 97,207). The following table summarizes City population data for Census Years 1970 through 2010. Growth from 2000 to 2010 was approximately 5.1%.

1970	78,991
1980	77,640
1990	85,486
2000	92,482
2010	97,207

The Association of Bay Area Governments (ABAG) Projections 2009 projects population growth of 29,018 or 31% over 2000 by 2035 for the City of San Mateo. ABAG Projections 2009 identify three areas in San Mateo as “Priority Development Areas”: Downtown San Mateo, San Mateo Rail Corridor and San Mateo El Camino Real and projects that over half the projected growth by 2035 will take place in these areas.

Population Data: Unincorporated Area in the City’s Sphere of Influence:

The following table contains Census population data for areas in sphere of influence of the City of San Mateo.

San Mateo Sphere of Influence	Census 1990¹⁶	Census 2000	Census 2010 Population
Highlands/Baywood Park/Baywood Plaza	2,644 (Highlands Only)	4,210	4,027
Golf Course	N/A	N/A	N/A
Tower Road Facilities	N/A	N/A	N/A

The Highlands/Baywood Park/Baywood Plaza unincorporated area includes significant undeveloped lands that have been the subject of several development proposals over the years. At this time, two development applications are in different stages. The Ticonderoga Subdivision approved by the Board of Supervisors will result in construction of 11 single-family homes and dedication of 92.47 acres to open space. (A previous project for this same site rejected by the Board of Supervisors proposed over 100 homes). A condition of approval of the Ticonderoga Subdivision was that the parcels proposed for residential development be annexed to the County-governed County Service Area 1 for enhanced police and fire service and the County-governed lighting district. At present, the first four parcels have been approved for annexation to CSA 1 and annexation to the lighting district is in process. The developer indicates annexation application for the balance of the parcels proposed for development will be submitted in phases as development occurs.

The Ascension Heights Subdivision which originally proposed construction of 25 single-family homes was remanded by the Board of Supervisors back to the Planning Commission for consideration of a modified proposal and is undergoing additional environmental review.

B) Present and Planned Capacity of Public Facilities, Adequacy of Public Services and Infrastructure Need or Deficiencies - City of San Mateo Infrastructure and Facilities

As cited in the City’s June 2011 audited financial statements, City infrastructure includes the city hall and police station, six fire stations, main library and two branch libraries, approximately 204 miles of improved streets, 7,500 streetlights, 79 traffic signal intersections, 300 acres of park land, 30 parks, two swimming pools, 16 tennis courts, six community centers, one

¹⁶ At the time of the 1990 Census, the highlands neighborhood was a census designated place. Baywood Park was added subsequently.

wastewater treatment plant¹⁷, 15.7 million gallons per day of treated effluent, 236 miles of sewer main, 136 miles of storm drain, 38 pump stations, and one municipal golf course.

Municipal Water Service:

City of San Mateo municipal water is supplied primarily by the California Water Service Company (22,980 customers) and by the Estero Municipal Improvement District (1,300 customers).¹⁸ California Water Service Company – Bayshore Mid-peninsula District (CalWater) serves the majority of San Mateo. The Bayshore Midpeninsula District includes the Cities of San Mateo and San Carlos and adjacent unincorporated areas and has developed an "Urban Water Management Plan" which allocates approximately 35.35 MGD (million gallons per day) for all of its districts. As noted on page II-22 of the City’s Land Use Element, 13.25 MGD of the 35.35 MGD could be considered for use by San Mateo.

The following average billing information is extracted from the Bay Area Water Supply and Conservation Agency (BAWSCA) FY 2010-11 Annual Report. All agencies listed purchase water wholesale from SFPUC. As noted in the survey, differences in average monthly bills may reflect local capital improvements or maintenance expenditures, the size of the rate base and the extent to which revenue is generated through connection charges. Other factors include tiered rate structures that encourage conservation, age of system and local land use and density of development.

Single Family Water Bills Based on Average Monthly Use, Using Rates in Effect FY 2010-11		
Water Provider/Number of Accounts	Average Monthly Use (ccf-100 cubic feet or 748 gallons)	Average Monthly Bill
CalWater – Midpeninsula (35,494)	10.6	\$47.30
Estero Municipal Improvement Dist. (8,128)	11.1	\$54.14
Hillsborough (4,275)	27.5	\$166.94
Burlingame (9,113)	9.9	\$76.71

¹⁷ Owned jointly with Foster City. City of San Mateo has 75% ownership and Foster City has 25% ownership. San Mateo’s 75% facility ownership is jointly used by San Mateo and four partners which include: the Town of Hillsborough (4.16%), County-governed Crystal Springs County Sanitation District (4.93%), the County of San Mateo (.37%), and the City of San Mateo (65.54%). This Sanitary Sewage Agreement between San Mateo and its “Minor Partners” was entered into on July 18, 1989. The agreement sets forth the arrangements and relationships regarding the use of sewage conveyance and treatment facilities.

¹⁸ Suburban communities on the Peninsula, obtain water via a contractual wholesale water purchase agreement between San Francisco Public Utilities Commission (SFPUC) and Calwater, several cities and several special districts. The SFPUC contract provides 184 million gallon a day (MGD) for all water agencies. (City of San Mateo General Plan, Page 2-23)

Sanitary Sewer:

As noted in the City's Sewer System Management Plan (SSMP), the City of San Mateo Department of Public Works (DPW) Environmental Services Division (Division) provides stewardship of the City's sanitary sewer assets, including a 15.7 MGD Wastewater Treatment Plant (WWTP) serving more than 130,000 people, 236 miles of collection system mainlines, 5,555 manholes, and 25 sewer lift stations. The Division is responsible for meeting the required level of service, including all permit requirements, in the most cost effective way through engineering, construction, maintenance, operation and rehabilitation of sanitary sewer assets to provide for present and future customers. The sanitary sewer collection system is predominately made of vitrified clay pipe and the majority of the system was built in the mid-1900's. The collected effluent is conveyed to the WWTP for treatment and disposal.

In 2009, the Regional Water Quality Control Board (RWQCB) issued a Cease and Desist Order (CDO) mandating expansion of the City's preventive maintenance program for the sewer system and requiring significant capital improvements. In total the improvements required over the next twenty years total \$452 million. The CDO requires that approximately \$137 million in improvements be completed in the next ten years.

The 2012-13 Adopted Budget cites the \$137 million in needed sewer system capital improvements over the next ten years to be financed with a combination of sewer net operating revenue, State Revolving Loan Funds and revenue bonds issued by the sewer enterprise. The Capital Improvement Plan for 2012-13 and 2013-14 budgets include \$8.6 million and \$3.2 million, respectively, from the State Revolving Loan Program. Also in the 2013-14 Fiscal Year the CIP will be funded with \$6.3 million in anticipated bond proceeds from a sewer revenue bond issue. The improvements are scheduled in phases based on areas where there have been frequent sanitary sewer overflows. The City's Capital Improvement Program section of the 2012-13 Budget provides detail on improvements.

Sewer Rates:

The City Council reviews and adopts sewer rates annually in conjunction with adoption of the budget. Sewer service charges are based on water consumption and are developed by the independent consulting firm that prepared the City's financial plan to respond to the RWQCB Cease and Desist Order. Sewer rates are developed to fund the cost of wastewater system operation and maintenance and improvements to reduce sanitary sewer overflows in compliance with the Cease and Desist order.

City Council adopted sewer service charges for the 2012-13 fiscal year are based on water consumption for the five preceding winter months (November through March) and the rate is based on user class (standard residential, standard commercial,

moderate commercial and high commercial). The 2012-13 sewer service fees represent an increase of 8% over the previous fiscal year and result in a base rate of \$6.31 per one hundred cubic feet of annualized water consumption. Sewer fees can be determined by multiplying the rate for each specific customer class by average annual winter water usage. Sewer service charges are billed on the property tax bill.

The City's website provides an example of \$560.64 annual sewer service charges based on annual water usage of 96 cubic feet of water. Random samples of residential sewer rates on the property tax bills range from \$696.62 to \$999.50

Storm Water:

The City's Public Works webpage details the City's storm drainage system comprised of 130 miles of storm drains, 20 miles of open creeks and drainage channels, one flood control lagoon (Marina Lagoon),¹⁹ nine pumping stations, and a three mile bayfront levee. Storm runoff and other sources of "outdoor drainage" typically flow into street drains which are connected to the nearest creek or watercourse. Storm drainage is not treated to remove substances that might be harmful to aquatic insects, fish and wildlife. The City is required by law to prevent contamination of stormwater by utilizing clean work practices, inspecting businesses and construction activities, and educating the public. The City is a member of a comprehensive countywide effort to prevent stormwater pollution. ***The City notes that it has been active in working with the Regional Water Quality Control Board to implement trash capture devices and programs to reduce the amount of trash entering the Bay consistent with the Regional Permit.***

Stormwater drains through San Mateo to the Bay via four major drainage basins: the San Mateo Creek complex, the North San Mateo complex, the Marina Lagoon complex, and the 3rd and Detroit watershed, each composed of numerous stream channels, culverts, and storm drainage piping systems.

Flood Control Measures and South Bayfront Levee Improvement District:

The National Flood Insurance Act of 1968 allows the Federal Emergency Management Agency (FEMA) to make flood insurance available to communities that adopt floodplain management regulations. The City of San Mateo has been a regular member of the National Flood Insurance Program since 1981. Historically, the City was not considered flood prone, but studies completed in the 1980s revised this assessment. In response, FEMA conducted a flood insurance study that designated areas north of Highway 92 for inclusion in a special flood

¹⁹ Marina Lagoon, a remnant of a tidal slough that was diked and dredged, serves the City as a flood control basin, recreation area, aesthetic amenity, and ecological resource, and is managed to optimize these benefits.

hazard area. This designation became part of a Flood Insurance Rate Map (FIRM) that went into effect in 2001 and made flood insurance mandatory for properties within the special flood hazard area and optional for those in other areas. Since then, the City has undertaken a number of steps to modify FEMA's designation and reduce residents' insurance premiums.

FEMA requires communities to address tidal flooding (from the Bay) and residual flooding (from interior sources like creeks) to remove areas designated as flood prone from the FIRM. In response, the City adopted a flood ordinance that meets federal standards for regulating development and improvements to properties in special flood hazard areas. The City also completed a number of flood control improvements. As a result, 8,000 properties in low-lying areas south of San Mateo Creek were precluded from the special flood hazard zone in the new FIRM effective October 16, 2012. Approximately 4,600 of these homes will no longer have to pay for "high risk" flood insurance, while approximately 3,400 will not enter the "high risk" zone for the first time.

To date the City has:

- Completed construction of the southern levee wall along San Mateo Creek (2001)
- Completed construction of the Norfolk Bridge over San Mateo Creek (2002)
- Completed construction of the northern levee wall along San Mateo Creek (2004)
- Enlargement of the box culvert under Highway 101 at 3rd Ave was completed by Caltrans (2004)
- Completed construction of the O'Neill Slough Tide Gate and Levee Improvements (2007)
- Approved formation of an assessment district to fund the South Bayfront Levee
- ***Storm drain capacity was increased under Highway 101 as part of the Auxiliary Lane Project funded by the San Mateo County Transportation Authority and Caltrans (2008)***
- Improvement Project (2009)
- Completed construction of the South Bayfront Levee Improvement Project (2011)

Remaining Projects to Address Tidal Flooding include:

- Raising the North Levee at Coyote Point Beach (\$7.35 million cost estimate)

Steps to Address Residual Flooding

There are several sources of residual flooding in San Mateo:

- Spill from San Mateo Creek near El Camino Real
- Local runoff to Coyote Point and Poplar Avenue Pump Stations
- Capacity restrictions and local drainage near 19th Avenue Channel on the west side of the railroad track
- Capacity restrictions and local drainage at Laurel Creek

Remaining projects include:

- Rehabilitating existing Coyote Point and Poplar pump stations (\$15 million cost estimate)
- Culvert improvements at Railroad and 20th Avenue (\$7 million cost estimate)
- Capacity and drainage improvements to Laurel Creek in the vicinity of the San Mateo/Glendale Village neighborhood (\$15 million cost estimate)

Estimated Costs

Approximately \$45 million remains unfunded to completely remove the high risk flood zone in San Mateo. The City has evaluated a number of potential means to fund these improvements, and has used an assessment district to spread the costs of certain projects among homeowners that would directly benefit. The City will continue to identify funding for these improvements.

Streets

Bay Area Cities use the Pavement Condition Index (PCI)²⁰ to measure the condition of its roads. The Pavement Management System and PCI were developed by the Metropolitan Transportation Commission in 2001. The PCI is based on road conditions that include cracking, furrowing or rutting, potholes, and general weathering and provides information necessary to establish a maintenance program and budget for road maintenance.

Road pavement condition is assessed every two to three years. To assess pavement condition, inspections and distress surveys are conducted for each street segment which can include up to several blocks per segment. The City of San Mateo's Pavement Management Plan for the City's 192 road miles allows for maintenance of 20-30 miles of roadway each year with the same budget, which delays for several decades the complete reconstruction of a roadway.

Operating Indicators found on Page 155 of the June 2011 Audit indicate street resurfacing miles per fiscal year as follows: 2007-46 miles; 2008-45 miles; 2009-22 miles; 2010-18 miles and 2011-18 miles. Pothole repair ranged from 1,576 in 2007 to 821 in 2011.

Since the full implementation of the City's Pavement Management Program (PMP) in 2001, the City performed pavement maintenance on approximately 20 miles of streets annually and the City's overall PCI significantly increased from 56 to 72 during that period.²¹ More recently, as

²⁰ The pavement condition index, or PCI, is a measurement of pavement grade or condition and ranges from 0 to 100. A newly constructed road would have a PCI of 100, while a failed road would have a PCI of 30 or less.

²¹ San Mateo was recognized by MTC in the 2008 Regional Streets and Roads Award for the most improved pavement condition.

part of the City's 2010-12 budget reduction process City staff concluded that overall PCI could be maintained above 70 in spite of reducing the General Fund contribution to the paving program by \$2 million annually. This was accomplished with preventive maintenance and American Recovery and Reinvestment Act (ARRA) Funds and grant funds. However, because these funds could only be used on specifically identified arterial and collector streets, and not residential streets, the PCI did not reflect the increase in failed residential streets. The November 5, 2012 report to the Council cites an increase of failed streets from almost 14 miles to just over 19 miles.

This caused the City to reevaluate the performance measures for how the City manages the pavement program, manages deferred maintenance and sets budget priorities. At the November 5, 2012 Council meeting, City staff reported that the 192 miles of streets within the City of San Mateo have a 2012 replacement value of approximately \$350 million dollars and staff presented the following three options for management of deferred street maintenance.

Option 1: Stabilize the current number of failed streets by preventing streets from deteriorating from the poor category into the failed category. Increase the General Fund contribution by \$2 million per year bringing the total to approximately \$5.5 million annually.

Option 2: Reduce the number of failed streets which could include restoring the one-time funding of \$4 million that was eliminated in FY 10-11 and FY 11-12.

Option 3: Eliminate failed streets. If Option 3 is selected as the program funding approach, the City's total annual paving budget will be approximately \$7.5 million, including \$3.5 million to maintain a PCI of 70, \$2 million to prevent streets dropping from poor category to the failed category, and \$2 million for debt service. This represents a \$6 million annual General Fund contribution to the paving program.

The 2013-14 budget process will include adopting a plan to address deferred maintenance of City streets.

Fire Department

The City of San Mateo Fire Department includes six fire stations and has over 100 staff members including firefighters, firefighter/paramedics, captains and battalion chiefs, fire prevention staff, training staff, and administrative staff. Operating Indicators from the June 2011 audit show annual calls averaging 8,183 calls for fiscal years 2007 to 2011. Inspections for the same period average 3,773 per year.

Stations include the following:

Station	Address	Year Built
#21	120 South Ellsworth Avenue	1939 - seismically retrofitted in 2002
#23	31 27 th Avenue	2011
#24	319 South Humboldt Street ²²	1948
#25	545 Barneson Street	1954
#26	1500 Marina Court	2003
#27	1801 De Anza Boulevard	1972

The City of San Mateo has contracted with City of Foster City for shared services since July of 2010 which began with sharing the City of San Mateo Chief and administrative support functions. Under the heading of “Significant Changes,” the 2012-13 Proposed Budget discusses expanded shared services between San Mateo and Foster City by which in a phased 36-month attrition plan, the service sharing will be expanded to share the Deputy Chief, an Administrative Battalion Chief, Battalion Chiefs, Fire Marshals, and Deputy Fire Marshals. The shared employees remain employees of the City that originally employed them and the Cities share the cost of the positions. As noted in the FY 2012-14 Business Plan/Adopted Budget, a combined total savings to both cities is expected to be approximately \$1.4 million, with one-third savings to be attributed to San Mateo and two-thirds to Foster City. In November 2012, the City of San Mateo executed an agreement with the City of Belmont/Belmont Fire Protection District²³ to contract for these administrative services.

It is also important to recognize the history of resource sharing outlined below because these initiatives have created efficiencies and savings and serve as models for other efforts. It merits emphasis that initiatives like the automatic aid, shared communications dispatch, EMS, disaster preparedness and hazardous materials are savings and efficiencies that have already been achieved. Remaining areas of savings include further efforts toward consolidation, shared administration, training and other programs, and possibly station consolidation.

²² Fire Station 24 is proposed for replacement and location of a temporary station during construction of the new station.

²³ The Belmont Fire Protection District is a subsidiary District of the City of Belmont and the City Council acts as the governing board. The district territory includes all of the City of Belmont and the unincorporated Harbor Industrial Area.

Shared resources in San Mateo County include the following:

- 1) Automatic aid in which agencies drop boundaries to ensure rapid response of the closest resources
- 2) Communications dispatch
- 3) EMS²⁴
- 4) Disaster Preparedness
- 5) Hazardous Materials operated by Belmont Fire Protection District and funded jointly by all fire entities
- 6) CERT (Community Emergency Response Team) training

Recent resource sharing initiatives include discussions between City of San Mateo and the County of San Mateo regarding alternative fire service delivery models in the Highlands/Baywood Park area which is included in County Service Area 1 (CSA 1). CSA 1 was formed for the purpose of enhanced police and fire protection to the Highlands Baywood Park unincorporated area. CSA 1 is governed by the Board of Supervisors and provides contract service by CalFire and County Sheriff. Discussions between the City of San Mateo and CSA 1/County of San Mateo are limited to shared fire protection.

Police Department

The mission of the City of San Mateo Police Department is safety on City streets, security in schools and homes, success of businesses, and service to the members of the community. The Police Department is headquartered at 200 Franklin Parkway and is a 24/7 comprehensive community policing department divided into three service units: Field Operations Services, Investigation Services, and Support Services. Budget performance measures for the Police Department include that 98% of priority one calls are dispatched within 60 seconds of receipt.²⁵ The Department also coordinates its efforts with the San Mateo County Sheriff's Department on gang and drug activity, Avoid the 23, and other multi-agency initiatives.²⁶

²⁴ San Mateo County Emergency Medical Service (EMS) system provides for centralized dispatch for all 911 medical emergencies including fire service first response and emergency ambulance, including air ambulance providers and two level 1 trauma centers at Stanford and San Francisco General.

²⁵ Examples of priority 1 calls include robbery report or alarm, shots fired, fight, disturbance, suspicious person or vehicle circumstances, potential injury to citizen, casualties, medical emergencies and injury vehicle accident.

²⁶ A collaborative effort by all San Mateo County law enforcement agencies to prevent and respond to drinking and drugged drivers.

The City of San Mateo Police Department recommended 2012-13 staffing level includes 162.45 police personnel, of which 108 are sworn officers. See budget discussion section below. City of San Mateo staffing level of sworn officers per 1,000 of population is 1.10, compared to .92 sworn officers per 1,000 of population in the City of Daly City (population 101,123).

City of San Mateo Parks and Recreation²⁷

City of San Mateo Parks and Recreation facilities and programs include: operating 16 athletic fields and 22 playgrounds, managing 25 sports facilities including tennis and other sports courts, swimming pools and golf course, maintaining many City landmarks and three open space areas, facilitating boating use of the 220 acre Marine Lagoon, maintaining approximately 25,000 street and park trees, 30 developed parks totaling 200 acres, 275 islands and ovals, 13 miles of median strips and active recreation programs including almost 250 different activities from classes to camps, educational lectures to exciting excursions.

The City's General Plan sets a goal of an overall acreage standard of 6.0 acres per 1,000 of population. San Mateo's 6.0-acre goal consists of 1.5 acres of neighborhood parkland per 1,000 persons and 4.5 acres of community and regional parkland per 1,000 persons. General Plan cited projections of population for the year 2030 estimate approximately 119,800 residents in the City and sphere of influence areas. The General Plan states that with this population and the currently identified inventory of designated neighborhood and community parkland, the City would have 3.88 acres per 1,000 persons.

Operating indicators provided by the Parks and Recreation Department for park and Recreation course registration are as follows: 24,937- FY 2006-07; 27,134-FY 2007-08; 23,927-FY 2010-11 and 23,136-FY 2011-12. The Department indicates that the 2007-08 Fiscal Year registration was an anomaly and that course registration has been steady since 2007-08.

City of San Mateo Library

The mission of the City of San Mateo Public Library is to offer quality library services and programs to a diverse community; promote literacy and ongoing learning; provide resources that preserve the past, reflect the present and explore the future; and serve as a gateway to information through technology. The City Council appoints a Library Board of Trustees comprised of five members who serve four-year terms and who oversee the Library department's policies, accept in the name of the City, money, personal and real property donated for Library purposes and who advise the City Librarian, City Manager and Council on library matters as representatives of the community.

²⁷ Please also see the separate Circulation Draft Municipal Service and Sphere of Influence Review for Highlands Recreation District dated November 15, 2012

The City of San Mateo is a member of the Peninsula Library System (PLS), a consortium of 34 public and community college library jurisdictions in San Mateo County that was founded in 1971 through a joint powers authority agreement to provide innovative and cost effective shared services to their residents. San Mateo's libraries have meeting rooms and adjacent outdoor areas that community groups use for activities and events. The libraries function in part like the other community centers, providing places where residents can take classes and hold meetings. Operating Indicators from the June 2011 audit showed an average annual circulation figure of 891,907 during the years 2007 to 2011; and an annual average of Library visitors at 751,886 per year during this period. A footnote for each output measurement indicated a decline in Fiscal Year 2011 due to a reduction in library hours associated with staff furloughs.

The City of San Mateo Public Library includes the Main Library at 55 West Third Avenue in downtown San Mateo, the Hillside Branch on Hillside Boulevard west of El Camino Real and the Marina Branch on Susan Court east of Highway 101. As reported in the 2012-13 Business Plan/Adopted Budget, in 2011-12 the Library Department initiated a major reorganization that aligned the organizational structure by services versus location and provided for a more effective utilization of personnel in light of limited resources and to achieve an organizational structure that can be sustained for the long term.

Contract Services

Animal Control Services

The City of San Mateo along with the other 19 cities in the county and the County of San Mateo is part of an agreement administered by the County providing for a countywide animal control program under contract with the Peninsula Humane Society & SPCA (PHS), a private, non-profit organization. Under the contract, the PHS enforces all animal control and anti-cruelty laws and provides sheltering for homeless animals and other services.

Garbage/Solid Waste Collection and Recycling

The City of San Mateo, along with Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, West Bay Sanitary District, and San Mateo County, is part of the South Bayside Waste Management Authority (SBWMA) which is a joint powers authority (JPA) that operates with the goal of providing cost effective waste reduction, recycling, and solid waste programs. As mandated by California State Law, AB 939, the SBWMA, through franchised services works to meet and sustain a minimum of 50% diversion of waste from landfill. Currently, Recology San Mateo County Services, a private company, provides collection, disposal and recycling services for the 91,000 SBWMA residences and nearly 10,000 businesses.

The City of San Mateo adopts rates annually for all solid waste customers in City boundaries. Rates vary based on residential and commercial service, size and number of containers, curbside versus backyard service, Recology costs, City staff time spent on billing, education and recycling outreach. Likewise the County adopts garbage rates annually for unincorporated franchised areas (with the exception of unincorporated areas in West Bay Sanitary District, Granada Sanitary District and Montara Water and Sanitary District) including the area in the City's sphere.

C. Financial Ability of Agencies to Provide Services

City Budget - Fiscal Condition of Cities and Current Trends

A city's fiscal health is at the core of its ability to deliver local services. Key revenue streams available to California cities for general fund operations include property, sales and use tax, business license tax, transient occupancy tax (or hotel tax) and utility user tax.²⁸ Cities may also, with voter approval, increase fees and taxes (other than property tax) and assess parcel taxes subject to the provisions of Proposition 218. Alternatives available to cities to balance budgets include: operating efficiencies reducing service levels; deferring projects; sharing service/ joint power agreements with other agencies²⁹; passing new taxes; increasing existing taxes and fees; maximizing grant funding; promoting land use and economic development to increase additional revenue or expand revenue diversity; and drawing down on reserves.

On the heels of a deep recession, the twenty cities in San Mateo County face many of the same challenges to sustainable municipal service delivery as a result of declining revenues and escalating personnel costs, in particular public safety. This municipal service review therefore focuses on the most significant municipal service priorities and challenges and ongoing initiatives to close budget gaps while providing essential municipal services.

Compared to many other cities, the City of San Mateo is well positioned for fiscal recovery due to diverse revenue sources, unique opportunities for economic development including the Bay Meadows development and recent voter support for two revenue enhancement measures. Measures L and M passed in 2009 with 61% and almost 75% voter support, respectively. Measure L raised the City's sales tax by 0.25% for **eight** years and Measure M raised the Transient Occupancy (Hotel) Tax from 10% to 12%.

²⁸ Other revenues such as service fees and charges for city utilities including water, sewer and garbage collection are often the largest source of city revenues, but are restricted to funding provision of these enterprise services. See "Understanding the Basics of County and City Revenues".

²⁹ In San Mateo County, the County, cities and special districts participate in many joint power agreements for services such as animal control, fire protection, library service, sewage treatment, emergency dispatch, ambulance and transportation planning. In addition, some entities have entered into agreements to share specific positions such as battalion chief, police chief or other staff position.

City of San Mateo Fiscal Year 2012-13 Budget Adoption

The City adopts a two-year business plan and annually adopts a budget that includes the resources to fund council adopted priorities established in adoption of the business plan. Amendments to the Business Plan may be made during the fiscal year by ordinance. The business plan and budget serve as direction to City staff for delivery of programs and services. Among other documents, this municipal service review relies on the 2012-14 Business Plan and the 2012-13 Adopted Budget and the June 2011 Audit.

Factors affecting the City's financial condition include the lingering effects of the recession including but not limited to high unemployment rate, downturn in the real estate market and revenue growth trends that have yet to match pre-recession trends. In response to these events the City has undertaken a multi-year process to reduce expenditures and work toward efficiencies and pursued revenue enhancement including two voter approved measures cited above.

The City's total 2012-13 Adopted Budget is \$147.57 million and includes an Operating Budget of \$118.98 million and Capital Budget of \$28.59 million. The Operating Budget includes the General Fund of \$82.10 million, Special Revenue Funds (including debt service) of \$12.36 and Enterprise Funds (including debt service) of \$24.52 million.

General Fund Expenditures are estimated to increase 5.2% over the 2011-12 revised estimate due to various factors including absorbing former Redevelopment Agency positions, eliminating short-term budget concessions, changes in the cost allocation program, increase in County crime lab and animal control contracts, technology projects to enhance emergency preparedness and expanded or new recreation programs which are offset by associated fee revenue. Pension and benefit cost increases have been major factors in the City's expenditure growth. Compensation restructuring goals have been implemented to provide for a cost sharing approach with employees to mitigate the pension and benefit costs increases and ensure financial stability. Detailed information on pension costs is provided on page 5 of the May 15, 2012 budget report.

General fund transfers of \$3.74 million in FY 2012-13 include: re-establishing \$2.935 million to the capital improvement program for street rehabilitation, side walk repair, building component replacements and playground and bike/pedestrian path improvements; transfer to Fire Prevention in 2012-13 for general public education and city-wide programs that are not covered by fees; transfer to Worker's Compensation and General Liability Funds and a Reserve for Other Post-Employment Benefits (OPEB).

Elimination of Redevelopment Agencies

ABx1 26 which eliminated redevelopment agencies (RDA) statewide had a significant impact on the City of San Mateo. Due to the dissolution of the RDA, approximately \$12 million in RDA tax increment revenue was not realized, resulting in a direct impact in the City’s ability to fund capital projects and fund affordable housing. The City’s RDA funded 16.78 full time employees (FTE). Of the 16.78 FTE, the Agency funded 100% of 9 FTE (5 filled and 4 vacant) and partially funded 7.78 FTE. The net impact to the General Fund of the City absorbing filled positions is \$1.1 million.

The following table extracted from Page 2 of the transmittal of the 2012-14 Business Plan shows the various funds compared to the Adopted 2011-12 Budget and the impact to the General Fund resulting from elimination of the RDA and significant sewer and park capital improvements as discussed below.

Total Expenditure Budget Expenditures – All Funds (Millions)				
	Adopted 2011-12	Changes for 12-13	Proposed 2012-13	Projected 2013-14
City Operating Budget				
General Fund	78.27	3.83	82.10	84.27
Spec. Rev. Funds-incl. debt	13.10	(0.74)	12.36	12.36
Enterprise Funds-incl. debt	25.09	(0.57)	24.52	24.88
Total City Operating Budget	116.46	2.52	118.98	121.51
Redevelopment	11.60	(11.60)	-	-
Capital Improvement Prog.				
City of San Mateo	6.80	21.79	28.59	24.36
Redevelopment Agency	1.28	(1.28)		
Total Capital Improv. Prog.	8.08	20.51	28.59	24.36
Grand Total City Budget	\$136.14	\$11.43	\$147.57	\$145.87

Revenues

The General Fund is the primary operating fund of the City.³⁰ Significant General Fund revenue sources for the City of San Mateo include property tax, sales tax, property transfer tax and hotel tax which represent over 70% of total general fund revenues. Property tax is estimated to increase by 2% in 2012-13 and takes into consideration potential property tax refunds that showed a significant increase from 2010-11 to 2011-12. In 2011-12 refunds were \$519,533 compared to \$128,241 for 2010-11 of \$128,241. The June 4, 2012 report indicates that this reduction may be offset by additional property tax revenue resulting from elimination of the RDA but cautions that it is not certain how these funds will flow to the City. Sales tax is estimated to increase 6.9% and property tax transfer revenue and hotel tax are estimated to

³⁰ Other funds include enterprise activities such as sewer utility and parking fund. As enterprise activities these services are funded with fees rather than general fund revenues such as property and sales tax.

grow by 5%. Property transfer tax estimates are based on the first sales of Bay Meadows parcels to builders and the hotel tax reflects anticipated occupancy rates and room rates. These increases are offset by anticipated reductions in fines, fees, and indirect cost charges³¹ and result in the overall estimated general fund revenue increase of 2.2%.

The tables on the following two pages extracted from the City's budget illustrate total funding sources and total expenditures by fund for Fiscal Years 2012-13 and 2013-14.

³¹ Indirect costs revenue reflects charges of administrative overhead to other funds and the reductions result from a revised indirect cost plan to more accurately reflect cost allocation to other funds.

**ADOPTED 2012-13
BUDGET SUMMARY ALL FUNDS**

A	B	C (+)	D (+)	E (+)	F (-)	G (-)	H (-)	I (=)
No.	Name of Fund	Unrestricted/ Unassigned/Comm.		INTERFUND TRANSFERS		EXPENDITURES		Estimated Fund Balance 6/30/2013
		FUND BALANCE 6/30/2012	REVENUES 2012-13	In	Out	Operating	Trf to C.I.P.	
A.	General Funds							
10	General combined	\$3,337,153	\$79,091,956	\$1,517,500	\$4,688,467	\$74,767,916	\$2,935,000	1,555,226
18	Recreation	\$0	3,441,943	3,886,357	0	7,328,301	0	(1)
15	OPEB Reserve	\$0		300,000				300,000
17	Reserves	\$11,829,000	0	0	0	0	0	11,829,000
B.	Other Revenue Funds							
20	Police Grants*	\$72,000	157,456	0	0	221,327	0	8,129
21	Solid Waste Fund	\$195,976 **	1,701,277	0	0	1,323,072	0	574,181
22	Federal HOME Grant*	\$31,920	273,372	0	0	27,337	247,500	30,455
23	C D B G*	\$328,898	708,927	0	0	673,957	275,000	88,868
24	Fire Protection & Life Safety	\$414,643	1,521,668	102,110	0	1,322,579	0	715,842
25	Advance Planning	\$314,505	230,000	0	0	207,714	0	336,791
26	Construction Services	\$1,962,786	3,290,721	0	0	2,801,656	0	2,451,851
27	Gas Tax	\$5,000	2,517,500	0	1,517,500	0	1,000,000	5,000
28	Downtown Parking and Security	\$4,207,821	1,906,296	0	0	2,031,233	0	4,082,884
30	Housing-City	\$0	58,500	0	0	52,000	0	6,500
31	Affordable Housing Fund	\$1,716,759	456,500			167,595	200,000	1,805,664
C.	Debt Service Funds							
41	Landfill Bond*	\$4,169,563	905,000	0	0	563,790	0	4,510,773
48	G.O.Bonds*	\$2,415,020	2,327,000	0	0	2,484,849	0	2,257,171
56	2% Hotel Tax*	\$2,871,770	944,000	0	0	483,900	0	3,331,870
D.	Enterprise Funds							
72	Sewer Service	\$6,063,319	37,299,000	0	0	21,982,681	14,745,667	6,633,971
79	Golf	(\$298,407)	2,584,600	0	0	2,539,097	0	(252,904)
E.	Internal Service Funds							
81	Vehicle & Equip. Replacement	\$19,567,162 a	2,569,655 a	0	0	2,444,655 a	0	19,692,162 a
82	Fleet and Building Maint.	\$1,175,256 a	3,512,652 a	0	0	3,448,778 a	0	1,239,130 a
87	Worker's Compensation	\$9,070,920 a	2,060,000 a	0	0	2,000,000 a	0	9,130,920 a
88	Liability Insurance	\$1,687,199 a	785,000 a	400,000	0	1,126,134 a	0	1,746,065 a
F.	Capital Project Fund	\$0						
59	Other C.I.P. Funds	\$0	9,194,492	0	0	0	9,194,492	0
	Total City	39,637,726	148,800,208	6,205,967	6,205,967	118,979,004	28,597,659	40,271,271

* Restricted Fund Balance

**Does not include \$1.75M prior year reserve for encumbrance. See Solid Waste Fund page for more detail.

a) All internal service funds are not included in total. For revenue, only the interest income is included.

CITY OPERATING & C.I.P. TOTAL	147,576,663
--	--------------------

**PROJECTED 2013-14
BUDGET SUMMARY ALL FUNDS**

A No.	B Name of Fund	C Unrestricted/ Unassigned/Comm. (+)		D (+)		E (+)		F (-)		G (-)		H (-)		I (=)
		FUND BALANCE 6/30/2013	REVENUES 2013-14	INTERFUND TRANSFERS		EXPENDITURES		Estimated Fund Balance 6/30/2014						
				In	Out	Operating	Trf to C.I.P.							
A.	General Funds													
10	General combined	\$1,555,226	\$81,256,950	\$1,517,500	\$5,135,798	\$76,845,970	\$2,935,000	(587,092)						
18	Recreation	(\$1)	3,441,943	3,983,688	0	7,425,631	0	(1)						
15	OPEB Reserve	\$300,000		300,000				600,000						
17	Reserves	\$11,829,000	0	0	0	0	0	11,829,000						
B.	Other Revenue Funds													
20	Police Grants*	\$8,129	160,210	0	0	168,142	0	197						
21	Solid Waste Fund	\$574,181	2,076,305	0	0	1,343,136	0	1,307,350						
22	Federal HOME Grant*	\$30,455	273,372	0	0	27,336	247,500	28,991						
23	C D B G*	\$88,868	708,927	0	0	648,665	175,000	(25,870)						
24	Fire Protection & Life Safety	\$715,842	1,521,668	102,110	0	1,359,283	0	980,337						
25	Advance Planning	\$336,791	230,000	0	0	209,644	0	357,147						
26	Construction Services	\$2,451,851	3,290,721	0	0	2,853,433	0	2,889,139						
27	Gas Tax	\$5,000	2,517,500	0	1,517,500	0	1,000,000	5,000						
28	Downtown Parking and Security	\$4,082,884	1,946,373	0	0	2,109,948	0	3,919,309						
30	Housing-City	\$6,500	58,500	0	0	52,000	0	13,000						
31	Affordable Housing Fund	\$1,805,664	106,500			49,193	0	1,862,971						
C.	Debt Service Funds													
41	Landfill Bond*	\$4,510,773	905,000	0	0	561,335	0	4,854,438						
48	G.O.Bonds*	\$2,257,171	2,372,500	0	0	2,489,324	0	2,140,347						
56	2% Hotel Tax*	\$3,331,870	990,000	0	0	488,900	0	3,832,970						
D.	Enterprise Funds													
72	Sewer Service	\$6,633,971	38,692,680	0	0	22,301,060	14,525,000	8,500,591						
79	Golf	(\$252,904)	2,614,600	0	0	2,575,140	0	(213,444)						
E.	Internal Service Funds													
81	Vehicle & Equip. Replacement	\$19,692,162 a	2,569,655 a	0	0	2,444,655 a	0	19,817,162 a						
82	Fleet and Building Maint.	\$1,239,130 a	3,512,652 a	0	0	3,416,523 a	0	1,335,259 a						
87	Worker's Compensation	\$9,130,920 a	2,060,000 a	0	0	2,000,000 a	0	9,190,920 a						
88	Liability Insurance	\$1,746,065 a	785,000 a	750,000	0	1,128,541 a	0	2,152,524 a						
F.	Capital Project Fund	\$0												
59	Other C.I.P. Funds	\$0	5,482,186	0	0	0	5,482,186	0						
	Total City	40,271,271	148,835,935	6,653,298	6,653,298	121,508,140	24,364,686	42,294,380						

* Restricted Fund Balance

a) All internal service funds are not included in total. For revenue, only the interest income is included.

CITY OPERATING & C.I.P. TOTAL	145,872,826
--	--------------------

Capital Improvement Program

The City of San Mateo's Five Year Capital Improvement Program (CIP) coordinates the planning, design, and construction of the City's capital improvement and major maintenance projects. The Five Year CIP totals \$154.1 million with \$28.6 million budgeted in the 2012-13 fiscal and \$24.3 million budgeted in the 2013-14 Fiscal Year. The CIP appropriations includes funding for various projects, the most significant including Park and Recreation Facilities and Renovation, Street Repair and Rehabilitation, Sewer System Renovation and Rehabilitation, Storm Water/Flood Control Renovation and Rehabilitation and New Construction of Fire Station 24.

Emergency and Stability Reserves

The City Council adopted policy goal for Emergency and Service Stability Reserves is three months operating expenditures, a best practice recommended by the Government Finance Officers' Association (GFOA). The 2012-13 Budget cites the 2011-12 year end reserve balance at \$11.3 million or 1.5 months of expenditures and notes that in order to achieve the policy goal of approximately \$20.5 million, the reserve will be increased as there are favorable variances in revenues and or expenditures. ***The updated Emergency Reserve amount as of June 30, 2012 was \$14.8 million or equal to 2.2 months of budgeted operating expenditures.***

Other Post-Employment Benefits (OPEB)

OPEB refers to retiree medical benefit for employees, which for the City of San Mateo is \$160 per month per employee. This is currently funded on a "pay-as-you-go" basis at approximately \$740,000 per year. Governmental Accounting Standards stipulate that in order to correctly account for this benefit, annual costs should include the current cost of benefits for retired employees and an annual percentage reflecting value being earned by current employees. The most recent actuarial valuation (2010) completed for the City for retiree medical benefits reflected an unfunded liability of \$17.5 million and if prefunded in an irrevocable trust would be \$11.3 million which would require the City to start funding an additional \$300,000 to \$400,000 per year. The Council authorized funding of this reserve starting in the 2012-13 budget.

D. Status of, and Opportunities for Shared Facilities and Resource Sharing

By best practice and necessity cities and districts in San Mateo County participate in many joint powers agreements and contracts for service for both cost savings measures and/or enhancing services. At the time of this writing, representatives of cities, the County and special districts are engaged in discussions concerning a broad set of opportunities to share services. Examples of practices by San Mateo of shared facilities and resources with other agencies include:

- Animal Control is provided by Peninsula Humane Society via a contract administered by the County.
- Agreement with City of Foster City, City of Belmont/Belmont Fire Protection District for sharing of Fire Chief and other positions
- The Solid Waste Collection Station is a facility shared by members of the South Bayside Waste Management Authority (SBWMA).
- The City of San Mateo and City of Foster City jointly own the sewage treatment facility and the City of San Mateo has agreements with the County of San Mateo, the Crystal Springs County Sanitation District, Hillsborough and Burlingame for sewage treatment.
- San Mateo Library is a member of the Peninsula Library System, a consortium of the 34 public and community college libraries in San Mateo County.
- Participation in Countywide automatic aid agreement for fire and emergency response
- Agreement with San Mateo County for 911 dispatch for San Mateo Fire Department
- Participation in the Emergency Services Council consisting of the County and 20 cities for the purpose of coordinated emergency service planning in the event of a major emergency, disaster, or homeland security incident

Unincorporated Areas in Study Area and County Services

The sphere of influence for the City of San Mateo adopted by LAFCo in 1984 includes the Highlands/Baywood Park/Baywood Plaza unincorporated area and the Peninsula Golf and Country Club. In addition to the County’s role as a subdivision of the State to provide mandated services such as health services and human services, the County is responsible for municipal type services in unincorporated areas. The following table summarizes service delivery patterns in the study area.

Highlands/Baywood Park/Baywood Plaza						
Police	Fire	Water	Sewer	Garbage/ Recycling	Park & Recreation	Other³²
County Service Area 1/contract with sheriff	County Service Area 1/contract with CalFire	CalWater	Crystal Springs County Sanitation District	County of San Mateo Franchise	Portion Highlands Recreation District ³³	County of San Mateo
Peninsula Golf & Country Club						
Sheriff	County Fire & City of San Mateo	CalWater	none	County of San Mateo Franchise		County of San Mateo

³² Roads, Drainage, Street Lighting, General Government Services

³³ See separate study on Highland Recreation District (HRD). The HRD territory includes the Highlands neighborhood but District established non-resident fees allow participation by non-residents and show a preference for non-residents from Baywood Park and Baywood Plaza. The nearest County Park facility is Coyote Point Recreation Area. Residents may also participate in City of San Mateo programs at non-resident rates.

Section 5: Unincorporated Area Profiles and County-Governed Districts

County Provision of Municipal Services in Unincorporated Areas

California counties play a dual role in providing services. Counties administer State mandated programs such as health services, human services and criminal justice while also providing municipal type services in diverse and non-contiguous unincorporated areas. The County of San Mateo is generally responsible for municipal services such as road maintenance and sheriff services in all unincorporated areas that include 18 non-contiguous neighborhoods on the bayside.³⁴ In regard to sewer and water, unincorporated areas are either included in an independent sewer and water district, the service area of a city that has a service area beyond city boundaries or a private utility such as CalWater, one of the ten County-governed sewer districts or two County-governed water districts, a mutual water company or are served by well, septic or both. In regard to fire protection and emergency response, the County is responsible for fire and emergency response for all unincorporated areas not included in a fire district. County services in the study area are summarized below.

Highlands/Baywood Park/Baywood Plaza

Often commonly referred to as “Unincorporated Highlands” this study area actually includes three distinct neighborhoods: Highlands, Baywood Park and Baywood Plaza.³⁵ All of the study area including undeveloped lands is located within the County-governed Crystal Springs County Sanitation District. Developed areas are located in the boundaries of County Service Area 1 for enhanced police and fire protection. Only the Highlands neighborhood is included in boundaries of Highlands Recreation District. (See Map). Additionally as shown in the Maps C and D, significant portions of the study area are included in the County-governed Bel Aire and Enchanted Hills Lighting Districts and portions or smaller areas are included in the County-governed Highlands, Enchanted Hills and Baywood Park Drainage Maintenance Districts. The study area is bounded by San Mateo on the east and south east, by unincorporated areas to the west and by the Town of Hillsborough to the north. The larger unincorporated area of which all is included in the Crystal Springs County Sanitation District has a total of 1,471 parcels. Of those approximately 789 residential parcels comprise the unincorporated Highlands neighborhood included in the Highlands Recreation District.³⁶

³⁴ With exceptions of Unincorporated Broadmoor and unincorporated Colma which are in boundaries of Broadmoor Police Protection District and investigative service only at San Francisco International Airport. The Office of Emergency Services, a division of the Sheriff’s Department, serves all areas of the County including cities.

³⁵ The County General Plan designates the study area as an urban neighborhood and designates Peninsula Golf & Country Club an existing special urban area

³⁶Each neighborhood has active homeowners associations that communicate with the County regarding public works, public safety and planning issues. These include Baywood Plaza Community Association, Baywood Park Homeowners Association, Highlands Community Association, Polhemus Heights Homeowners Association and San Mateo Oaks Homeowners Association.

Road Maintenance – Unincorporated Areas

County-maintained roads in the City of San Mateo sphere of influence include 18.65 centerline miles in the Highlands/Baywood Park/Baywood Plaza sphere area.

With indexes ranging from 74.43 to 92.09 County-maintained roads in the study area range from very good to excellent. Challenges in maintaining roads include the fact that the county road system consists of several non-contiguous areas and there is a lack of adequate and reliable funding. Gas tax and other State subvention funds are the primary funding source for road maintenance and repair. These funds are received on a monthly basis and are generally a reliable source of regular income for pavement management planning.

Park and Recreation in Unincorporated Study Area (See also separate municipal service review on Highlands Recreation District)

As noted elsewhere, the Highlands Recreation District (HRD) territory includes the Highlands neighborhood portion of the unincorporated Highlands/Baywood Park/Baywood Plaza study area. The HRD fee schedule allows for non-resident participation including a non-resident fee for residents of the immediate unincorporated area that do not reside within the boundaries of HRD and a slightly higher non-resident fee for residents from other areas. Program registration timelines show preference for HRD residents or non-residents from the immediate unincorporated area. Some City residents utilize HRD facilities. Likewise residents from the unincorporated area participate in City programs at non-resident rates.

The District has a three-tier monthly rate schedule for Early Education Center and annual pool membership fees for family and individuals for: 1) Highlands residents, 2) non-residents that live in the boundaries of County Service Area 1 which also includes Baywood Park and Baywood Plaza and 3) non-residents from other areas. Pool entrance fees for those who do not purchase annual membership are tiered for Highlands Recreation District residents versus non-residents. Tennis court keys may be purchased by Highlands Recreation District residents only. All other program fees are tiered with a \$5 differential for non-residents.³⁷ The only instance where a class would not have a non-resident premium is if the price for the class is required by the contract instructor to be the same price offered at other park and recreation facilities.

³⁷ City of San Mateo fee policy for non-residents includes a 25% surcharge with maximum surcharge of \$25.00 for program registration for non-residents who do not own property in the City of San Mateo. Several programs fees including programs operated at San Mateo Foster City Elementary School District facilities are exempt from the non-resident surcharge. Facility rental fees are subject to 25% non-resident surcharge with no maximum cap on surcharge.

The HRD Board has recently approved revised rates and District comments indicate the Board will continue to closely monitor the capacity and pricing strategies to ensure that the Recreation Center remains fully-utilized and financially sound. District comments indicate that the pricing structure takes into account the fact that non-residents from the broader Highlands/Baywood Park/Baywood Plaza area are integral to the District affording to offer the quality, breadth and depth of programs currently available.

The County of San Mateo provides park and recreation on a regional basis, in which County Parks operates seven regional parks, as opposed to active park and recreation programs typical in cities. The County of San Mateo's nearest regional park is Coyote Point Recreation Area. The City of San Mateo's nearest recreation center is Beresford Recreation Center located at 2720 Alameda de las Pulgas, 4.1 miles or ten minutes from the Highlands Recreation District Recreation Center.

The recently approved Ticonderoga LLP/Chamberlain subdivision (11 homes) located adjacent to HRD boundaries included dedication of 92.47 acres to open space, thereby reducing potential infill development. It has yet to be determined which agency will take responsibility of these lands which are wholly surrounded by the unincorporated area. ***The County comments that these lands are of local and not regional benefit and not an appropriate County park.***

New or enhanced level of park and recreation service would be dependent upon identification of suitable land for park facilities, new funding sources such as taxes, assessments or fees and determination of which agency or agencies could best provide service.

Fire Protection and Sheriff Services - County Service Area 1

Fire Protection

CSA 1 was formed in 1955 to provide a funding model for enhanced fire protection as the Highlands/Baywood Park/Baywood Plaza subdivisions were being constructed.³⁸ (At the time, Highways 92 and 280 did not exist and the City of San Mateo had not yet expanded westward to be contiguous with the study area. Highways 92 and 280 were constructed in 1974 and the City of San Mateo Station 27 was completed in 1972.) In 1966, enhanced police service was added to County Service Area 1 services along with additional taxes and service was provided

³⁸ The original intent of CSA law was to give an alternative method for providing governmental services by counties within unincorporated areas in order to create funding sources for specific municipal services and capture expenditures for these services. San Mateo County has five active county service areas that provide limited services to unincorporated areas. As special districts, property tax, special tax or fee revenues and expenditures are segregated from the General Fund.

by a contract with County Sheriff. As a result of passage of Proposition 13 in 1978, CSA 1 receives approximately 26% of the 1% property tax in addition to a voter approved \$65 per parcel annual parcel tax. The County continues to contract with CalFire for fire protection and emergency response and the County Sheriff for police services. Under these contracts the CSA 1 budget funds one year-round CalFire engine company at Station 17, and 18 hours of Sheriff patrol (6:00 a.m. to **Midnight** service seven days per week).

The County's 2012-13 Recommended Budget reports that the CSA 1 fire engine, located at Station 17, responds to between 400 and 500 calls a year. Within the boundaries of CSA 1, CalFire responds to emergency calls within the six minute target response time. The Sheriff's Office responds to an average of 1,500 resident calls a year with an average response time of 9.17 minutes for high priority calls. The proposed CSA 1 budget maintains all current contract services.

The CSA 1 contract with CalFire, which is separate from the County's contract for CalFire service in other unincorporated areas, includes staffing of a fire engine at Station 17 located at 320 Paul Scannell Drive. In addition as part of the County's Structural Fire Protection Budget for other unincorporated areas not in fire districts, the County funds additional staffing at Station 17. The County's Station 17 and City of San Mateo Station 27 at 1801 De Anza Boulevard are located 0.8 mile (3 minutes) from each other and are identified in the 2009-10 San Mateo County Civil Grand Jury Report "City Fire Department Consolidations and Mergers" in discussing redundancy of station location.

City of San Mateo Station 27 is 1.6 miles or five minutes from 1309 Bel Aire Road, the north eastern area of County Service Area 1 and County Station 17 is 2.1 miles or five minutes from the same address. City of San Mateo Station 27 is 2 miles or seven minutes from 1287 Laurel Drive, the north western area of CSA 1 and County of San Mateo Station 17 is 2.2 miles or seven minutes from 1287 Laurel Hill Drive. Opportunities exist either through annexation or contracting to create savings for County Service Area 1 residents, the County and the City of San Mateo in the area of fire protection. See discussion below under "Governance Alternatives" for the Highlands Area.

Sheriff Services

The County Sheriff Patrol Bureau³⁹ oversees service in unincorporated areas excluding Broadmoor and San Francisco International Airport, assigning sheriff patrols organized into beats consisting of teams of nine personnel per 12-hour shift.⁴⁰ The San Mateo County Sheriff's Department 2012-13 Adopted Patrol Budget is \$19,700,409, with a net county cost of

³⁹ The California Highway Patrol is responsible for enforcing the California Vehicle Code in unincorporated areas.

⁴⁰ The County Sheriff's Department also provides contract service for the Towns of Woodside and Portola Valley City of San Carlos, City of Half Moon Bay and City of Millbrae. These services are funded by contracting cities general fund revenues.

\$11,422,767. The Sheriff's budget includes revenues and expenditures for the various contracts with cities, County Service Area 1 and supplemental service in County Service Area 8 (North Fair Oaks). Expenditure data does not provide detail of expenditures related to the various contracts. The contract with County Service Area 1 (Highlands) includes 18 hours of patrol service, 12 deputy hours per day shift and six deputy hours per night shift seven days a week. Response outside of those hours is provided out of Beat 60 and response requiring more than one deputy or additional service such as detectives, etc. are funded by the Sheriff's Budget. The Area is included in Beat 40. Office space as a substation is available at the Highlands Recreation Center.

The San Mateo County Sheriff's Department 2012-13 Adopted Budget includes a target response time of five minutes for urban areas. The budget cites several Patrol Division initiatives including participation in multi-agency efforts to reduce crime and gang activity, DUI Enforcement Programs, Drug Awareness and Resistance Education (DARE).

County Service Area 1 Budget

CSA 1 is a County-governed special district with a segregated budget separate from the County General Fund to fund fire protection and emergency response and sheriff service to the unincorporated Highlands/Baywood Park/Baywood Plaza area. The District's adopted 2012-13 budget of \$4,033,410 includes a fund balance of \$1,831,971, property tax of \$2,080,224, parcel tax of \$93,000, interest earned \$15,000 and homeowners property tax relief of \$13,215. As shown in the County's Adopted 2012-13 budget schedule, District expenditures include \$1,473,442 for Contract Fire Protection for personnel, \$644,690 for Contract Sheriff Services (18 hours per day, 7 days per week)⁴¹, \$141,083 for general administration, equipment, vehicle, maintenance, administration related to the contract with CalFire and \$1,774,195 in reserves for a total of \$4,033,410. The majority of general administration and other expenditures are related to fire protection. The combined cost for law enforcement and fire protection in CSA 1 including reserves is \$1,001 per capita per year compared to the combined cost of police and fire in City of San Mateo of \$511 per capita per year including capital costs. ***The individual annual contracts for fire and sheriff (applying reserves proportionally) are \$2,874,203 or \$713 per capita for CalFire and \$1,159,207 or \$288 per capita for Sheriff. Note that the CSA 1 Sheriff contract does reflect 24 hour service or the cost of sheriff patrol for the hours of Midnight to 6:00 a.m. The individual annual budgets for City of San Mateo Police and Fire are \$19,993,971 or \$205 per capita for Fire and \$29,708,604 or \$306 per capita for Police. While the record of comments indicates a strong desire on the part of the residents for the current CalFire engine dedicated to the study area, based on these comparisons consideration could be given to how***

⁴¹ As shown in Attachment A, the total cost of this staffing level is \$814,193 and the CSA 1 is credited \$169,503 for the estimated cost for Unincorporated Beat 60 coverage of CSA 1 area no supplemental services. The Sheriff's office covers this cost because these deputies are also covering Beat 60 unincorporated areas.

savings achieved by receiving city fire service might be directed toward the underfunded sanitary sewer operations.

County of San Mateo Comments:

The County has recently evaluated shared fire service in the study area and had discussions with the City of San Mateo (City) about shared services. During this process, residents of the study area made known their support for retaining the CSA 1 engine and the County Fire engine at Station 17, even though the City engine is nearby and the CSA 1 engine goes on relatively few calls a year. The study area residents were not interested in savings that would come from a shared engine. They want an engine located in their neighborhood and are willing to pay for that service.

County Sheriff Comments:

The County Sheriff letter (attached) provides background on the history of Sheriff service in CSA 1, states that law enforcement services provided by the County Sheriff are both at a superior level and extremely cost effective, noting the recent contracts for service with San Carlos, Half Moon Bay and Millbrae. The Sheriff also notes the history of the community opposing annexation to the City of San Mateo and concurs with their perspective.

Highlands Recreation District (HRD) Comments:

HRD comments are summarized below and included as an attachment.

The HRD remains isolated with reduced public transportation and this isolation is cherished and valued by the residents. The District collaborates with CalFire and the Sheriff providing free substation space to the Sheriff. The letter cites CalFire and HRD coordination of CERT emergency response training and CalFire's presence at community events and assists with the annual swimming pool dome installation and removal.⁴²

Only homes within HRD boundaries contribute property tax revenue to the District's revenues. Non-residents are welcome at HRD facility because, without them, HRD could not offer the quality, breadth and depth of programs currently available. HRD notes that non-residents pay a premium to participate because they do not contribute property taxes to their operation and notes that non-San Mateo City residents also pay a non-resident premium. Due to HRD programs being at capacity, the Board recently approved a gradual increase in the program fee premiums charged to non-residents.

⁴² CalFire does not charge for Cert training or labor for pool dome installation and removal.

In very limited cases, the District also offers a three-tiered pricing structure. In those cases, the residents of Baywood Park and Baywood Plaza are charged a lesser premium than other non-residents. Currently such three- tiered pricing is only available for pool memberships and the Early Education Center. The majority of programs are offered at the two-tiered pricing structure described above. Program registration preference is given to Highlands residents in many programs and, in one case, secondary preference is given to CSA1 residents. This resident/ non-resident pricing and registration structure is similar to that of many City Park and Rec programs, where 'Unincorporated Highlands' residents pay non-resident premiums and have lower registration preference. The Board of Directors will continue to closely monitor the capacity and pricing strategies to ensure that the Rec Center remains fully-utilized and financially sound.

The District comments on lack of duplication of service and requests amendment of the sphere of influence to remain independent and not a subsidiary district of the City of San Mateo if in the future the area is annexed to the City.

Comments from Members of the Community:

LAFCo staff held a community workshop at the Highlands School to present this report and the report on the Highlands Recreation District. Speakers included Homeowner Association representatives, Highlands Recreation District representatives and residents. Speakers voiced strong support for the current Sheriff and Fire service model and support for Highlands Recreation District. In addition, the Commission has since received numerous e-mails expressing strong support for the current CalFire and Sheriff service, and Highlands Recreation District, and strong opposition to annexation to the City of San Mateo. Some e-mails expressed support for annexation primarily to address the fiscal challenges of a small sewer district serving the community.

Homeowner Associations:

To date LAFCo has not received written comments from the Homeowner Associations.

California Highway Patrol (CHP)

The CHP, headquartered in Redwood City, has 14 officers per shift that patrol San Mateo County, Santa Clara County as far south as San Antonio Road on the Highway 101 Corridor and as far south as Sunnyvale on the Highway 280 corridor and Alameda County across the Dumbarton Bridge. In addition to traffic enforcement and protection on State highways, the CHP is responsible for traffic enforcement in unincorporated areas. In San Mateo County the CHP is responsible for traffic enforcement in the unincorporated coastal areas, skyline rural areas and the 18 urban unincorporated communities on the bayside.

Inventory of Active Powers

Enabling legislation for county service areas (Gov. Code Section 25213) authorizes county service areas to provide a broad set of municipal services, in essence all services a city may provide (except land use). Since 1997, provisions of the Cortese Knox Hertzberg Act were amended to require that LAFCo identify which of the services of a multi-purpose district are actively provided and which are inactive. Pursuant to Government Code Section 56425(i), in preparing a municipal service review and sphere update, LAFCo is required to prepare a statement of the nature and location of functions and services provided by the districts. If a county service area proposes to add a new service permitted under district enabling legislation, the District must apply to LAFCo for approval. County Service Area 1 provides the following services in the area as specified and any other services authorized by the enabling legislation are inactive:

Fire & Emergency Service by Contract	District-wide
Enhanced Police Protection	District-wide

If in the future the District determines that other services permitted in CSA enabling legislation should be provided and funded by CSA 1, the County Board of Supervisors as governing body of the District could apply to LAFCo. The application would include a plan for providing services and a proposed budget including revenues to fund service. In this regard, consideration could be given to consolidating all services to the unincorporated study area under the governance of CSA 1.

Crystal Springs County Sanitation District

The Crystal Springs County Sanitation District operated by the San Mateo County Department of Public Works was formed in 1947 as the area was being subdivided and developed. The district has 19 miles of pipelines and approximately 1,500 connections.⁴³ Effluent flows to the San Mateo Wastewater Treatment plant via the City of San Mateo and Hillsborough under an agreement between the District and the City of San Mateo and the Town of Hillsborough. As an enterprise district, the primary revenue source is sewer fees that are assessed on the property tax bill. The Board of Supervisors establishes fees subject to Proposition 218.

Service rates are designed to cover “in-district” costs such as sewer main operations, maintenance, engineering, regulatory requirements and capital improvements and “out-of-district” costs such as transport and sewage treatment facility capital costs determined by downstream agencies. Failure to increase rates by individual districts results in the inability of

⁴³ *The District also provides contract service to County facilities at Tower Road and bills for sewer service charges and the facilities proportional share of capital costs.*

that District to fund all obligations, including capital improvements to minimize sewage overflows.

In 2006, Crystal Springs County Sanitation District rate payers rejected a proposed rate increase as part of the Proposition 218 rate setting process. Since that time, the Department of Public Works has worked with rate payers to phase in rates that could cover all costs related to operations, sewage treatment and capital improvements to the District’s infrastructure and the District’s share of downstream agency capital improvement projects and sewage treatment plant capital improvements. The following table summarizes rates of the ten County-governed districts. Rates are a function of age of system, number of connections, in-district capital improvement project costs and out of district costs for transport and treatment.

<i>District/Year Formed</i>	<i>2012-13</i>	<i>2013-14</i>	<i>2014-15</i>	<i>2015-16</i>	<i>2016-17</i>
Burlingame Hills SMD	\$1,595	Rates to be evaluated during FY 2012-13			
Crystal Springs CSD	\$1,350	Rates to be evaluated during FY 2012-13			
Devonshire CSD	\$1,025	\$1,050	\$1,075	\$1,100	\$1,125
Edgewood SMD	\$1,025	\$1,100	\$1,175	\$1,250	\$1,325
Emerald Lake SMD – Zone 1	\$1,160	\$1,190	\$1,220	\$1,250	\$1,280
Emerald Lake SMD – Zone 2	\$850	\$890	\$930	\$970	\$1,010
Fair Oaks SMD	\$500	\$530	\$560	\$590	\$620
Harbor Industrial SMD	\$330	\$340	\$350	\$360	\$370
Kensington Square SMD	\$1,015	\$1,055	\$1,095	\$1,135	\$1,175
Oak Knoll SMD	\$930	\$960	\$990	\$1,020	\$1,050
Scenic Heights CSD	\$1,080	\$1,110	\$1,140	\$1,170	\$1,200

District Budget

The Adopted 2012-13 budget for the Crystal Springs County Sanitation District includes a fund balance of \$2,632,549, property tax revenue of \$49,776, interest and other income of \$10,319 and sewer service charges of \$2,053,813 for a total of \$4,746,457. Expenditures include repairs, engineering services, maintenance and sewage treatment of \$3,523,470 (of which \$400,000 is sewage treatment and \$300,000 is related to downstream trunk projects in Hillsborough and \$1.3 million for capital improvements), contingencies of \$1,222,987 for total requirements of \$4,746,457.

County Governed Sewer and Sanitation Districts and Governance Alternatives

Reorganization of Sewer and Sanitation Districts

In January 2010, the County Board of Supervisors as the governing body of the Burlingame Hills Sewer Maintenance District (BHSMD) requested LAFCo to conduct a municipal service review and sphere of influence study to evaluate the benefit and feasibility of consolidating ten non-contiguous, County-governed sewer maintenance and sanitation districts. The request was

submitted to comply with a condition of a consent decree between the County, BHSMD and San Francisco Baykeeper (Baykeeper) resolving a lawsuit filed by Baykeeper against the County and BHSMD alleging violations of the Clean Water Act by discharge of pollutants (sewer overflows) by BHSMD. Specifically, pursuant to the Consent Decree it was requested that the Commission prepare a study to evaluate, inter alia, the benefits and feasibility of consolidation of all special sanitary districts for which the San Mateo County Department of Public Works currently provides sewer collection services. The Commission declined to conduct a study of consolidating the ten non-contiguous districts and supported staff recommendation that reorganization of non-contiguous sewer and sanitation districts be studied in municipal service and sphere reviews of Cities and unincorporated areas.

This section of the report provides background on the County-governed Crystal Springs County Sanitation District serving unincorporated Highlands/Baywood Park/Baywood Plaza in the City of San Mateo sphere of influence. It should also be noted that the County of San Mateo Public Works Department and the City of San Mateo Public Works Department have initiated a feasibility study of consolidating CSCSD and the City's sewer systems into a subsidiary district of the City of San Mateo to create long-term efficiencies and savings for rate payers of both systems. This study is not yet complete, has not been reviewed by City or County management and has not been presented to the City Council or Board of Supervisors.

The San Mateo County Board of Supervisors is the governing body of ten non-contiguous sewer/sanitation districts that serve unincorporated areas including North Fair Oaks, Emerald Lake Hills, Oak Knoll, Kensington Square, Edgewood Estates, Devonshire, Scenic Heights, Harbor Industrial Area, San Mateo Highlands/Baywood Park/Baywood Plaza and Burlingame Hills and portions of the Towns of Woodside and Atherton and the City of Redwood City. In addition to the County's cost of maintaining these districts, the County has agreements with downstream agencies for sewage treatment capacity and for the cost of each district's flow through downstream sewer mains. The table below summarizes these districts and illustrates the downstream transport agencies and treatment facilities.

San Mateo County Sewer/Sanitation District Information (September, 2012)					
District (Year Formed)	Age of Sewer Facilities (yrs)*	Pipeline in Miles	Number of Connections/ Equivalent Residential Unit (ERU)	Downstream Transport Agency	Treatment Facility
Burlingame Hills SMD (1935)	77	7	420/426	City of Burlingame	City of Burlingame
Crystal Springs CSD (1947)	65	19	1,429/1,501	Town of Hillsborough City of San Mateo	City of San Mateo
Devonshire CSD (1956)	56	4	275/293	City of San Carlos	SBSA ⁴⁴
Edgewood SMD (2004)	8	0.3	18/18	City of Redwood City	
Emerald Lake Heights SMD – (1947)	65	29 combined miles	205/205	City of San Carlos	
Emerald Lake Heights SMD – Zone 2	29		1,397/1,451	City of Redwood City	
Fair Oaks SMD (1930)	82	81	7,345/12,597	City of Redwood City	
Harbor Industrial SMD (1951)	61	1	63/234	City of San Carlos	
Kensington Square SMD (1956)	56	.8	74/74	City of Redwood City	
Oak Knoll SMD (1957)	55	2	114	City of Redwood City	
Scenic Heights CSD (1949)	63	2	55/58	City of San Carlos	

See Map E for the location of these ten non-contiguous districts highlighting the challenge for the County to efficiently provide routine maintenance and respond to emergencies from the County Public Works Corporation Yard in Redwood City.

Each district represents a distinct system that flows through city sewer lines to the wastewater treatment plant. Each district pays for transport and sewage treatment. Rates of the districts vary based on age and size of system, transport and sewage treatment costs.

The County-governed districts are already functionally consolidated in that they are governed by a single governing body and managed by a single public works department. However they

⁴⁴ SBSA – South Bayside Sewer Authority, a joint powers authority between the Cities of Redwood City, San Carlos, Belmont, Redwood City and West Bay Sanitary District.

are separate systems with system specific costs based on age and size of systems. In this regard, consolidation into a single district would not create economies of scale in service provision because operations and maintenance of non-contiguous systems would still be necessary and the disparate operating costs associated with system age, size, varying contract transport and treatment costs would not justify smoothing rates for service in non-contiguous areas. In essence this practice would result in rate payers of one district subsidizing service in another district.

Based on sphere of influence and existing contracts for effluent transport, there are three alternatives that merit consideration by the County and City of San Mateo. One alternative that is consistent with sphere of influence is annexation of this area to the City to place sewer operation under City authority. The second is establishing sewer service as a subsidiary district of the City to include City sewer functions and sewer service for unincorporated areas in the City's sphere in a single district governed by the City Council and operated by the City of San Mateo Public Works Department. (As noted above, the City and County are already studying the feasibility of **consolidating sewer systems that would require formation of** a subsidiary district.) The third would be for the County to contract with the City of San Mateo for sewer maintenance and operation in addition to sewage treatment already provided by the City. ***The following alternatives are LAFCo identified alternatives. The City of San Mateo Public Works Department, in verbally commenting on the Circulation Draft, emphasizes that the City seeks to cooperate with the mandated LAFCo study and collaborate with the County of San Mateo Department of Public Works to achieve efficiencies for rate payers of both sewer entities and the City has not initiated discussion of annexation.***

1. Annexation

Annexation of area served by the Crystal Springs County Sanitation District to the City of San Mateo would place sewer service and rate setting authority under the City and would provide for economies of scale and more efficient response to sewage system overflows.⁴⁵ In general countywide, barriers to annexation of some older unincorporated areas include lack of infrastructure such as drainage, flood control, sidewalks or road standards consistent with City standards. However, the Highlands/Baywood Park/Baywood Plaza neighborhoods were constructed in the mid-1950's and includes infrastructure more consistent with those of cities. Given the challenges the County faces in serving unincorporated pockets and the savings that could be achieved for rate and tax payers and service providers, feasibility of annexation merits consideration by the County, City and residents. Through the annexation process negotiations take place between the County and the City regarding transfer of property tax to fund transfer of service responsibility. Potential advantages to the City include increased property tax and other revenues, creating service efficiencies and economies of scale by broadening the

⁴⁵ RWQCB requires response and reporting timeframes that can be difficult for the County to meet based on location of County Corporation yards.

customer based served by city departments and likewise residents would benefit from more sustainable sewer rates, proximity of city facilities and a centralized service delivery model compared to that of the County.⁴⁶ The annexation process requires rezoning by the City Council prior to application and provides opportunity for resident input and protest. ***See Annexation Flow Chart Attached.***

⁴⁶ The County provides service via a multi-departmental service delivery model that includes a County Service Area for police and fire managed by the County Manager's Office, a County sanitation district managed by the Department of Public Works, roads managed by Department of Public Works, Community Development all of which have approximately 28 unincorporated urban pockets with competing service demands.

2. Subsidiary District

A subsidiary district is a district in which a city council is the governing body of a district that is either wholly located in the city or includes territory within and outside the city with the provision that 70% of the land area and 70% of the registered voters are located within the city. There are several characteristics of sewer provision in the study area that supports formation of a subsidiary district. These include:

- All sewer effluent flows to the San Mateo Sewage Treatment Plant.
- Sewer effluent of the County-governed districts flows through city systems to the Plant.
- The study area is in close proximity to the City of San Mateo that operates the adjoining sewer system.
- Because the City operates sewer service as an enterprise function and does not subsidize sewer service with property tax, sewer operations could be transferred to a subsidiary district in which the city system is consolidated with the County operated system, creating efficiencies while maintaining accountability.
- Sewer districts, including subsidiary districts, can account for different rates by designating zones.
- Savings from economies of scale through consolidation can be applied to rate-payers in all zones proportionately.

Analysis of land area and registered voters in the study area indicates that the 70% criteria required to establish a subsidiary district that would consist of the City of San Mateo system and the Crystal Springs County Sanitation District has been met.

If after the pending study by the City and the County is complete it is determined that a subsidiary district would benefit the customers of the City and the County-governed districts, formation of a subsidiary district could be initiated by resolution of the City of San Mateo.⁴⁷

3. Contracting for sewer operations and maintenance with nearby cities.

Because the County of San Mateo Public Works Department operates out of a corporation yard in Redwood City to serve all bayside sewer districts and some sewer and sanitation districts are not in close proximity, the County and cities may both benefit from sharing sewer operations and maintenance personnel when the City's corporation yard provides quicker access and crews are already providing service in the area.

⁴⁷ CSCSD and City of San Mateo staff have retained a consultant to evaluate the financial impact of establishing CSCSD and the City of San Mateo sewer systems as a subsidiary district of the City of San Mateo. The study is not yet complete and has not been considered by the legislative bodies of the County and the City.

County of San Mateo Comments: CSCSD Sewer System - The CSCSD maintains approximately 18 miles of sewer pipes with 1,429 sewer service connections and sewer service to 1,501 equivalent residential units (ERU). The CSCSD is one of ten County maintained sewer/sanitation districts and is the third largest in terms of pipe miles and customers served. It is the second farthest sewer district from the Redwood City corporation yard where equipment and staff are dispatched. The County has been working over the past several years to set sewer rates that are sufficient to adequately support the CSCSD. Significant progress has been made to set rates to support in-district expenses (operation and maintenance, repairs, capital improvement projects, and administration), treatment costs, and out-of-district or downstream capital improvement projects.

Cease and Desist Order Impact on CSCSD - A significant issue facing the CSCSD is the work required and associated costs to comply with a Cease and Desist Order No. R2-2009-002 (CDO) issued by the Regional Water Quality Control Board in 2009 to the CSCSD, Town of Hillsborough (Town), and City of San Mateo (City). The CDO stipulates specific capital improvements that must be completed by each of the three agencies within certain timelines. The CSCSD is required to complete eight identified capital improvement projects within the District by September 2013. The estimated cost of this work is \$2.5 million. The CSCSD has applied for a State Revolving Fund Loan, which is a 20-year loan with a low interest rate, to finance this work.

The CSCSD relies on the downstream agencies, namely the Town and the City, to transport sewage from the CSCSD to the wastewater treatment plant owned and operated by the City. The CDO identified capital improvement projects that must be completed by the Town and City for which the CSCSD must pay their respective portion of. Although there are numerous capital improvement projects required by the CDO, the most immediate downstream projects to be completed are the Town's Crystal Springs/El Cerrito Trunk Sewer Phase II and the City's El Cerrito Relief Line Project with current estimated costs of \$12 million and \$15 million, respectively. The CSCSD will be responsible for paying 37% of these costs or \$4.44 million for the Town project and \$5.55 million for the City's project.

The current CSCSD rates have been based on the premise that the downstream agencies would obtain the financing for their projects through either a State Revolving Fund Loan or bond financing and the CSCSD would pay their respective portion of the loan or bond payments to the downstream agency. Based on the CSCSD's current understanding, the downstream agencies do not intend to obtain loans or bonds to finance the cost of their projects, but instead are requiring that each agency obtain or pay their respective portions separately. This presents a significant issue for the CSCSD and their rate payers because the CSCSD would have to increase the sewer rates significantly to be able to qualify for a loan for the downstream capital on their own.

CSCSD Options – The impact of the CDO on the CSCSD is significant. If the CSCSD is to remain managed by the County as it is currently, then the sewer rates must be increased to pay the CSCSD’s share of the downstream capital improvement projects. Based on the Department of Public Works and Parks’ calculations, it has been estimated that the current rates of \$1,350 per ERU would need to be increased to \$1,650 per ERU in order for the CSCSD to qualify for a SRF loan to pay their portion of the two downstream capital improvement projects listed above. It would be necessary for the property owners to be supportive of these increased sewer rates. The CSCSD property owners have successfully implemented a Prop 218 majority protest, which prevented a previous rate increase. Based on the County’s experience, sewer rate increases are generally not received favorably and because the CDO has specific timelines for completion of downstream capital improvement projects, any necessary rate increases would need to be approved in a short time frame.

The LAFCo Report outlines three options to the current structure for providing sewer service to the review area. The options include: annexation, subsidiary district, and contracting for sewer operations and maintenance with nearby cities. Based on the CDO and the costs of the required downstream capital improvement projects, these options should be carefully considered. There are economies of scale that could be realized by having the CSCSD included in a larger sewer system. The City has approximately 27,000 accounts, 236 miles of sewer pipe, and owns and operates the wastewater treatment plant that treats the sewage emanating from the CSCSD. The City also has an area near the upstream end of the CSCSD that contributes flow to the CSCSD’s system. The City and County are evaluating the feasibility of implementing alternatives to the current situation that would allow the CSCSD to pay their share of downstream improvements without having to qualify for a loan on their own. This analysis is not complete and has not been discussed or considered by their respective Council or Board. The financial imposition of the CDO puts the CSCSD in a different and more difficult situation than it has faced previously. If there is an alternate method of service delivery that would not require a rate increase with sufficient revenue to pay the CSCSD’s share of the downstream agency project costs, it should be carefully considered by the City, the CSCSD, and the property owners in the review area. It is recognized that the City property owners pay for sewer service based on their winter water consumption and the average sewer rates are lower than the rates in the CSCSD. If the City were to become responsible for providing sewer service to the CSCSD area, it is anticipated that the CSCSD rates would remain stable for the next several years and over time a phased in rate adjustment may be possible.

The County Board of Supervisors adopted Resolution No. 070565 on December 15, 2009 requesting that LAFCO evaluate the benefit and feasibility of consolidating all ten County governed sewer/sanitation districts. In response to the request, the LAFCo Commission determined that in lieu of preparing a separate study related specifically to consolidation, the sewer/sanitation districts and alternatives to the current delivery of service would be considered in connection with the municipal service reviews and sphere of influence studies.

The LAFCo Report contains information consistent with the previous determination of the LAFCo Commission.

County-governed Maintenance Districts (Lighting, Drainage and Landscape)

Maintenance Districts formed pursuant to Section 5820 et seq. of Streets and Highways Code may maintain lighting, landscaping and sewer system improvements. Districts are governed by the Board of Supervisors and managed and operated by the Department of Public Works.

Enchanted Hills Highway Lighting District

Formed in 1958, Enchanted Hills Highway Lighting District is one of 12 County-governed lighting districts. The district territory includes the majority of the north eastern portion of Baywood Park as shown in map (C). District infrastructure includes 30 streetlights. As a non-enterprise district, the primary funding for the district is property tax to fund repair and maintenance, energy costs and capital improvement (replacement or addition of light poles).⁴⁸ To perform this work, assigned Public Works staff travel from the County's Tower Road facility.

Enchanted Hills Highway Lighting District Budget

The Adopted 2012-13 budget includes a fund balance of \$144,190, property tax and other revenue of \$8,743 for a total of \$152,933. Financing requirements include services and supplies of \$10,550 and an appropriation for contingencies of \$142,383 for total appropriations of \$152,933. District revenue has exceeded expenditures each fiscal year in part due to ERAF Refunds,⁴⁹ which has contributed positively to the District fund balance.

Bel-Aire Highway Lighting District

Formed in 1957, Bel-Aire Highway Lighting District is one of 12 County-governed lighting districts. The district territory includes all of the Highlands neighborhood and the south eastern portion of the Baywood Park neighborhood as shown in Map C. District infrastructure includes 225 streetlights. As a non-enterprise district, the primary funding for the district is property tax to fund repair and maintenance, energy costs and capital improvement (replacement or addition of light poles). To perform this work, assigned staff travel from the County's Tower Road.

⁴⁸ As a district formed prior to Proposition 13, the District receives a share of the 1% property tax.

⁴⁹ ERAF or Educational Revenue Augmentation Fund refunds occur when the ERAF contributions to school districts from the county, cities and special districts exceed the amount required to fund schools up to their revenue limits.

Bel-Aire Highway Lighting District Budget

The Adopted 2012-13 budget includes a fund balance of \$644,259, property tax and other revenue of \$44,528 for a total of \$688,787. Financing requirements include services and supplies of \$44,700 and an appropriation for contingencies of \$644,087 for total appropriations of \$688,787. District revenue has exceeded expenditures each fiscal year in part due to ERAF refunds, which has contributed positively to the District fund balance.

County Comments:

Lighting Districts - The review area includes two of the eleven street light districts for which the Board of Supervisors are the governing body. These districts include the Enchanted Hills Highway Lighting District with 30 street lights and the Bel-Aire Highway Lighting District with 225 street lights. Revenue to support the street lights is from the property taxes paid by property owners within each district. Based on the current level of service, the revenue is adequate to support the operations of each separate district. However, California Streets and Highways Code Section 19160 provides that the governing board of a highway lighting district may consider the installation of additional streetlights if a petition signed by twenty (20) or more taxpayers in the district is filed with the district's governing body. If the property owners identified a need for a significantly higher levels of lighting that could be met by the installation of additional lights, the districts would have to carefully evaluate whether the costs of the additional lights could be sustained. Additionally, if there was a desire by the property owners in the review area to have the existing street light poles or fixtures replaced, the costs would have to be carefully evaluated. Based on the current revenues and expenditures of the lighting districts, these districts appear to be sustainable.

Baywood Park Drainage Maintenance District

Formed in 1958, Baywood Park Drainage Maintenance District is one of six County-governed drainage districts. The district territory includes a small southerly portion of Baywood Park as shown in Map D. District infrastructure includes limited drainage facilities. As a non-enterprise district, the primary funding for the district is interest that funds limited maintenance and repair of drainage infrastructure which includes drainage pipes in dedicated easements that drain to Polhemus Creek which flows to San Mateo Creek and eventually flows to the bay.

Baywood Park Drainage Maintenance District Budget

The Adopted 2012-13 budget includes a fund balance of \$1,116, \$0.00 property tax and other revenue of \$10.00 for a total of \$1,126. Financing requirements include miscellaneous repairs and maintenance of \$450, other special departmental expense of \$10 and appropriation for contingencies of \$666 for total appropriations of \$1,126.

Enchanted Hills Drainage Maintenance District

Formed in 1959, Enchanted Hills Drainage Maintenance District is one of six County-governed drainage maintenance districts. The district territory includes a portion of Baywood Park as shown in Map D. District infrastructure includes drainage pipes in dedicated easements that drain to Polhemus Creek which flows to San Mateo Creek and eventually flows to the bay. As a non-enterprise district, primary funding for the district should be property tax to fund repair and maintenance of drainage facilities.

Enchanted Hills Drainage Maintenance District Budget

The Adopted 2012-13 budget includes a fund balance of \$14,589, property tax and other revenue of \$1,679 for a total of \$16,268. Financing requirements include services and supplies of \$2,000 for maintenance and repairs, special departmental expense of \$50 and an appropriation for contingencies of \$14,218 for total appropriations of \$16,268.

Highlands Drainage Maintenance District

Formed in 1960, Highlands Drainage Maintenance District is one of six County-governed drainage maintenance districts. The district territory includes a small north eastern portion of the Highlands neighborhood as shown in Map D. District infrastructure includes drainage pipes in dedicated easements that drain to Polhemus Creek which flows to San Mateo Creek and eventually flows to the bay. As a non-enterprise district, primary funding for the district should be property tax to fund repair and maintenance of drainage facilities.

Highlands Drainage Maintenance District Budget

The Adopted 2012-13 budget includes a fund balance of \$26,191 property tax and other revenue of \$595 for a total of \$26,786. Financing requirements include services and supplies of \$6,000 for maintenance and repairs, special departmental expense of \$100 and an appropriation for contingencies of \$20,686 for total appropriations of \$26,786.

County Comments:

Drainage Maintenance Districts – The review area includes three drainage maintenance districts. The drainage districts include: Baywood Park Drainage Maintenance District, Enchanted Hills Drainage Maintenance District, and Highlands Drainage Maintenance District. These districts either have no revenue source or very limited revenue through an apportionment of property taxes. The drainage systems to be maintained by the districts are limited to drainage facilities located within easements that were typically installed when the subdivision improvements were constructed. The available funding in each of the districts is

insufficient for maintenance, repair or replacement of drainage facilities. Given the fact that the districts have inadequate revenue and fund balances, consideration should be given to an alternate model of operation and funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing drainage districts with dissolution of the drainage maintenance districts. An alternate scenario could include creation of a Community Services District that would have the responsibility for these facilities. The drainage systems within the road right-of-way are typically maintained by the Department of Public Works and Parks' Road Division.

Highlands Landscape Maintenance District

Formed in 1964, Highlands Landscape Maintenance District was formed to provide landscape maintenance to street island planting areas. The district territory includes a small portion of the Highlands neighborhood including Lexington Court, Upper Laurel Hill Drive and Lower Laurel Hill Drive. As a non-enterprise district, primary funding for the district should be property tax to fund repair and maintenance of drainage facilities.

Highlands Landscape Maintenance District Budget

The Adopted 2012-13 budget includes a fund balance of \$80,080, property tax and other revenue of \$7,713 for a total of \$87,793. Financing requirements include services and supplies of \$4,800 for maintenance and repairs, special departmental expense of \$80 and an appropriation for contingencies of \$82,913 for total appropriations of \$87,793.

County Comments:

Landscaping Maintenance District – The review area includes the Highlands Landscape Maintenance District. This district's purpose is to maintain limited landscaping of street island planting areas. The revenue and fund balance are modest. The work to be performed by the district is distinct and remote to other activities similar in nature. Given the fact that the district has limited resources and responsibilities, consideration should be given to an alternate model of operation and possibly funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing landscaping district and dissolution of the landscape maintenance district. An alternate scenario could include creation of a Community Services District that would have the responsibility for landscape maintenance activities

Section 6: Municipal Service Review Areas of Determinations

The following discusses recommended determinations in these seven areas:

- Growth and population projections for the affected area
- *The location and characteristics of any disadvantaged unincorporated communities⁵⁰ within or contiguous to the sphere of influence.*
- Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies *including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.*⁵¹
- Financial ability of agencies to provide services
- Status of, and opportunities for, shared facilities
- Accountability for community service needs, including governmental structure and operational efficiencies
- Any other matter related to effective or efficient service delivery, as required by commission policy

Recommended Determinations:

1. Growth and population projections for the affected area

For the City of San Mateo, the Association of Bay Area Governments (ABAG) Projections 2009 projects population growth of 29,018 or 31% over 2000 by 2035 for the City of San Mateo. ABAG Projections 2009 identify three areas in San Mateo as "Priority Development Areas": Downtown San Mateo, San Mateo Rail Corridor and San Mateo El Camino Real and projects that over half the projected growth by 2035 will take place in these areas.

The Highlands/Baywood Park/Baywood Plaza unincorporated area includes significant undeveloped lands that have been the subject of several development proposals over the years. With approval of the Ticonderoga Subdivision anticipated growth includes 11 homes and elimination of 92.47 acres of residentially zoned land by dedication as open space The Ascension Heights Subdivision which originally proposed construction of 25 single-family homes was remanded by the Board of Supervisors back to the Planning Commission for consideration of a modified proposal and is undergoing additional environmental review. Based on these two projects as of the writing of this report and an average household size of 2.6 people, estimated population growth from these projects if completed is 94 persons.

⁵⁰ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

⁵¹ Language in Italic was added by amendments chaptered and effective November 2011.

2. The location and characteristics of any disadvantaged unincorporated communities⁵² within or contiguous to the sphere of influence.

This determination does not apply to the study area.

3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.

- a) Unincorporated Highlands, Baywood Park and Baywood Plaza have sewer, water and road infrastructure substantially consistent with that of nearby cities however, the Crystal Springs County Sanitation District system size, rate base and other factors result in rates considerably higher than those of the City and are still in adequate to cover the cost of needed capital improvements.*
- b) A significant issue facing the Crystal Springs County Sanitation District (CSCSD) is the work required and associated costs to comply with a Cease and Desist Order No. R2-2009-002 (CDO) issued by the Regional Water Quality Control Board in 2009 to the CSCSD, Town of Hillsborough (Town), and City of San Mateo (City). The CDO stipulates specific capital improvements that must be completed by each of the three agencies within certain timelines. The CSCSD is required to complete eight identified capital improvement projects within the District by September 2013. The estimated cost of this work is \$2.5 million. The CSCSD has applied for a State Revolving Fund Loan, which is a 20-year loan with a low interest rate, to finance this work*
- c) The CSCSD relies on the downstream agencies, namely the Town and the City, to transport sewage from the CSCSD to the wastewater treatment plant owned and operated by the City. The CDO identified capital improvement projects that must be completed by the Town and City for which the CSCSD must pay their respective portion of. Although there are numerous capital improvement projects required by the CDO, the most immediate downstream projects to be completed are the Town's Crystal Springs/El Cerrito Trunk Sewer Phase II and the City's El Cerrito Relief Line Project with current estimated costs of \$12 million and \$15 million, respectively. The CSCSD will be responsible for paying 37% of these costs or \$4.44 million for the Town project and \$5.55 million for the City's project.*

⁵² "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

- d) Absent CSCSD being included in downstream agency financing the District's share of downstream improvements, the CSCSD would have to increase the sewer rates significantly to be able to qualify for a loan for the downstream capital on their own.**
- e) In regard to lighting districts, the Enchanted Hills Highway Lighting District with 30 street lights and the Bel-Aire Highway Lighting District with 225 street lights have adequate property tax based on the current level of service. If the property owners identified a need for a significantly higher levels of lighting that could be met by the installation of additional lights, the districts would have to carefully evaluate whether the costs of the additional lights could be sustained. Additionally, if there was a desire by the property owners in the review area to have the existing street light poles or fixtures replaced, the costs would have to be carefully evaluated. Based on the current revenues and expenditures of the lighting districts, these districts appear to be sustainable.**
- f) In regard to drainage maintenance districts, the Baywood Park Drainage Maintenance District, Enchanted Hills Drainage Maintenance District, and Highlands Drainage Maintenance District have either no revenue source or very limited property tax revenue. The available funding in each of the districts is insufficient for maintenance, repair or replacement of limited drainage facilities located within easements. Given the fact that the districts have inadequate revenue and fund balances, consideration should be given to an alternate model of operation and funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing drainage districts with dissolution of the drainage maintenance districts. An alternate scenario could include expansion of the existing Highlands Recreation District (a Community Services District) that would have the responsibility for these facilities. The drainage systems within the road right-of-way (versus easements) are typically maintained by the Department of Public Works Road Division and this is funded by road funds.**
- g) In regard to the Highlands Landscape Maintenance District which was formed to maintain limited landscaping of street island planting areas, the revenue and fund balance are modest. The work to be performed by the district is distinct and remote to other activities similar in nature. Given the fact that the district has limited resources and responsibilities, consideration should be given to an alternate model of operation and possibly funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing landscaping district and dissolution of the landscape maintenance district**

or expansion of the powers of Highlands Recreation District (a Community Services District) that would have the responsibility for landscape maintenance activities

4. Financial ability of agencies to provide services

- a) Compared to many other cities, the City of San Mateo is well positioned for fiscal recovery due to diverse revenue sources, unique opportunities for economic development including the Bay Meadows development and recent voter support for two revenue enhancement measures. Measures L and M passed in 2009 with 61% and almost 75% voter support, respectively. Measure L raised the City's sales tax by 0.25% for eight years and Measure M raised the Transient Occupancy (Hotel) Tax from 10% to 12%.***
- b) Practices to balance the City budget include measured use of reserves, revenue enhancement, temporary suspension of contributions to the capital improvement fund (CIP), employee compensation reductions including furloughs, and \$2.5 million in savings from all City departments. The City's 2012-14 Business Plan reinstates the \$2.935 million CIP contribution and now includes labor compensation restructuring for all employees. These changes include greater employee participation in health and retirement costs and reduced retirement formulas. The City's long term financial forecast is updated to assess further actions to ensure long term financial sustainability.***
- c) See determinations above regarding the county governed sanitation, lighting, drainage and landscape maintenance districts.***
- d) Regarding County Service Area 1, the District has adequate revenues to fund enhanced services, due in part to voter approved annual parcel tax of \$65.00 per parcel.***

5. Status of, and opportunities for, shared facilities

- a) The City and the County are exploring opportunities that may exist for the City of San Mateo and the County to collaboratively plan for more efficient and effective sewer service needs of unincorporated areas that flow through the Hillsborough and San Mateo systems to the San Mateo wastewater treatment plant.***
- b) The County, affected community and the City are encouraged to periodically revisit opportunities for service sharing in the area of public safety including potential cost savings that could be directed toward the on-going challenge of sustainable sewer operations.***

6. Accountability for community service needs, including governmental structure and operational efficiencies

- a) ***Regarding accountability to the public, the City of San Mateo agendas, staff reports and minutes are available on the City's website and through e-mail subscription. Agendas are also posted in locations throughout the City. The City publishes a newsletter and separate recreation guide that are also available on the City website. The City has ten advisory committees and commissions addressing city services including planning, youth, seniors, parks and recreation, library, and community improvement. Details on each can be found on the City's website.***

- b) ***Regarding accountability to the public, the County of San Mateo Board of Supervisors as governing body of County-governed districts publishes agendas and staff reports concerning district related matters on the County's website and e-mail. The County Public Works Department posts all utility district related reports and information on the Public Works website. County Service Area Number 1 does not have a dedicated County webpage and the County is encouraged to develop a webpage that includes information on County Service Area 1 services, contacts, etc.***

- c) ***The County is encouraged to prepare a municipal services guide that would provide information on all municipal services provided to the study area with contact information for the various services and make this available to the community.***

- d) ***Governance alternatives for unincorporated areas include:***
 - i. ***Annexation to the City of San Mateo⁵³ to provide for more efficient service delivery and give the City control over land use decisions that impact the City's sewage treatment capacity planning,***
 - ii. ***Continued existence as an unincorporated community and establishment of a subsidiary district of the City of San Mateo which would place Crystal Springs County Sanitation District customers in the City of San Mateo customer base, affording more efficient, cost effective service delivery and a regional approach to serve communities served by interconnected systems and the same sewage treatment plant.***
 - iii. ***Expanding the boundaries of either County Service Area 1 or the Highlands Recreation District (an independent community services district) to include***

⁵³ ***Extensive comments opposing annexation and supporting independent governance of the Highlands Recreation District have been received from residents, the homeowners associations and the Highlands Recreation District nevertheless LAFCo is required identify alternatives. (Please see flow chart for process and attached comments.)***

all of the unincorporated study area and transfer all municipal service authority to either a county governed county service area or the locally elected, independently governed community services district.

- iv. Continued existence as an unincorporated community with no changes to any special districts limiting the options for sewer rate payers to reduce operational costs and mitigate sewer rate increases.***

7. Any other matter related to effective or efficient service delivery, as required by commission policy

Section 7: Sphere of Influence Review and Update

This section addresses Government Code Section 56425, which specifies that in determining the sphere of influence of each local agency, the Commission shall consider and prepare a written statement of its determinations with respect to each of the following:

- 1. The present and planned land uses in the area, including agricultural and open-space lands.*
- 2. The present and probable need for public facilities and services in the area.*
- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- 4. The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency.*

This sphere of influence update incorporates information and determinations in the municipal service review as well as changes that have taken place since the sphere of influence was originally adopted and provides for public input on the four areas of determination listed above. Comments to LAFCo by affected agencies, organizations individuals are requested in order to be included in the Executive Officer's report to the Commission.

City of San Mateo Sphere of Influence:

The sphere of influence designation for the City of San Mateo includes the Highlands/BaywoodPark/Baywood Plaza unincorporated area and the Peninsula Golf and Country Club. Since the sphere was adopted in 1985, there have been minor boundary changes and there have been no significant changes in service demand or the City's financial ability to provide service which merit amending the sphere of influence.⁵⁴

⁵⁴ Some comments include a request to remove the study area from the City of San Mateo sphere of influence. However, the only residential areas that are not included in a city sphere of influence are lands designated as rural by

The Peninsula Golf and Country Club is wholly surrounded by the City of San Mateo and designated as a special urban area in the County's General Plan. The General Plan land use objective for this and other park and golf courses with this designation is to maintain current private or public park and recreational uses.

The Highlands/Baywood Park/Baywood Plaza area is designated as an existing urban neighborhood in the County General Plan. The General Plan land use objective for urban neighborhoods includes: planned urban neighborhoods to be primarily, though not exclusively, single family residential areas which appear and function as residential neighborhoods of contiguous cities; provide mix of residential and mixed uses to balance tax revenues with cost of providing service; and establish land use patterns which make urban neighborhoods compatible, functional and identifiable with adjoining cities.

County General Plan Policy 7.21 regarding lands suitable to be included in city spheres of influence states: Consider lands that may be included within a sphere of influence only if they are generally suitable for urban services (e.g., public sewer systems, public water supply, fire and police protection) and urban uses. County General Plan Policy 7.24 states: encourage cities to annex urban unincorporated areas within designated city spheres of influence.

As noted above, the County approved the Ticonderoga subdivision which resulted in creation of 11 residential lots on the periphery of the Highland neighborhood and dedication of 92 acres of open space wholly surrounded by the Highlands/Baywood Park/Baywood Plaza neighborhoods. The Ascension Heights Subdivision which originally proposed construction of 25 single-family homes was remanded by the Board of Supervisors back to the Planning Commission for consideration of a modified proposal and is undergoing additional environmental review.

Sphere of Influence Determinations

Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide and existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency. The following section discusses these areas of determination.

the County of San Mateo General Plan. LAFCo spheres must be consistent with the County's General Plan. Spheres therefore designate which city can best provide municipal services based on factors such as compatible land use, need for municipal services, capacity to provide service and communities of interest.

The present and planned land uses in the area, including agricultural and open-space lands

Land use designations in unincorporated areas in the City's sphere are substantially compatible with land use in City boundaries. Residential Land use is Residential minimum lot size of 7,500 square feet. Newly dedicated open space lands are zoned resource management. There are no agricultural lands in the study area. The Peninsula Golf and Country Club zoning designation is residential and as noted above the General Plan land use objective as a special urban area is to maintain current private or public park and recreational uses.

The present and probable need for public facilities and services in the area

The study area consists of two non-contiguous areas developed with primarily residential land use with a Census 2010 population of 4,027 in need of basic municipal services. It is anticipated that the level of service demand may increase modestly as a result of development of the 11 lot Ticonderoga subdivision and potential development of Ascension Heights subdivision. The Peninsula Golf Club under current uses does not present a significant demand for service.

The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide

Services provided to the study area are outlined in the service review above. The County of San Mateo provides most municipal services to the unincorporated study area. The Highlands Recreation District (see separate study) operates a recreation center including after school care and licensed day care in the Highlands neighborhood. City of San Mateo police department and nearby fire station offer alternatives to County provided fire and police service and proximity of city public works facilities offer alternatives to the County-operated sanitation district.

The County of San Mateo operates regional parks that serve residents of San Mateo and other areas. However, it should be noted that Highlands Recreation District serving a much smaller population with a designated funding source provides a higher level of service than City park and recreation programs. The County's capacity to serve unincorporated areas is limited due to the number and distance of unincorporated pockets from the County Center and Corporation Yard. The City's Capital Improvement Program and Pavement Management Program include plans for improvement of public facilities and recommended improvements are included in each budget cycle according to priorities and resources available. The County of San Mateo likewise has a capital improvement plan for infrastructure replacement.

The City's public facilities, including parks and roads, are adequate to serve the existing population and in many cases already serve residents of unincorporated areas in the City's sphere. ***The March 11 Highland Recreation District Comments state: "No Park and Recreation facilities within the City of San Mateo already serve residents of unincorporated areas in the***

City's sphere. While their programs are available to unincorporated residents, it should not be presumed that the HRD's programs are in anyway unnecessary, underutilized or duplicative." LAFCo staff notes that this report does not indicate that the availability of City programs and facilities to unincorporated residents makes HRD programs redundant. LAFCo staff maintains that given City of San Mateo numerous sports fields and other programs it is reasonable to accept that youth or adults from the Highlands/Baywood Park/Baywood Plaza participate in some programs that take place on city facilities.

The existence of any social or economic communities of interest in the area if the commission determines that they are relevant to the agency

The unincorporated areas in the City's sphere of influence are substantially surrounded by the City and the County's Urban Rural boundary to the west, and in the case of the Highlands/Baywood Park/Baywood Plaza share common land use and infrastructure characteristics. The City and these unincorporated areas share common water service delivery, sewage treatment plant, land use patterns, access, shopping and school district boundaries and inherently share social and economic communities of interest.

The Unincorporated Highlands/Baywood Park/Baywood Plaza neighborhoods receive municipal service from two primary County-governed districts (CSA 1 and Crystal Springs County Sanitation District) and six small single-purpose County-governed lighting or drainage districts. In CSA 1 the cost for public safety is funded by a special tax in addition to property tax and significantly exceeds the per capita and per parcel cost in the City of San Mateo. In Crystal Springs County Sanitation District residential sewer rates are \$1,350 per year compared to a random sampling of \$696.62 and \$999.50 in the City of San Mateo.

The Highlands neighborhood is unique from the adjacent unincorporated areas in that it is served by the Highlands Recreation District. While the Highland Recreation District extends special recreation rates for residents of County Service Area 1 serving the adjacent Baywood Park and Baywood Plaza, property of Highlands residents generates property tax revenue for the District, residents pay lower recreation fees than non-residents and voters elect the five member board of directors.

Recommended Sphere of Influence for the City of San Mateo and County Service Area 1:

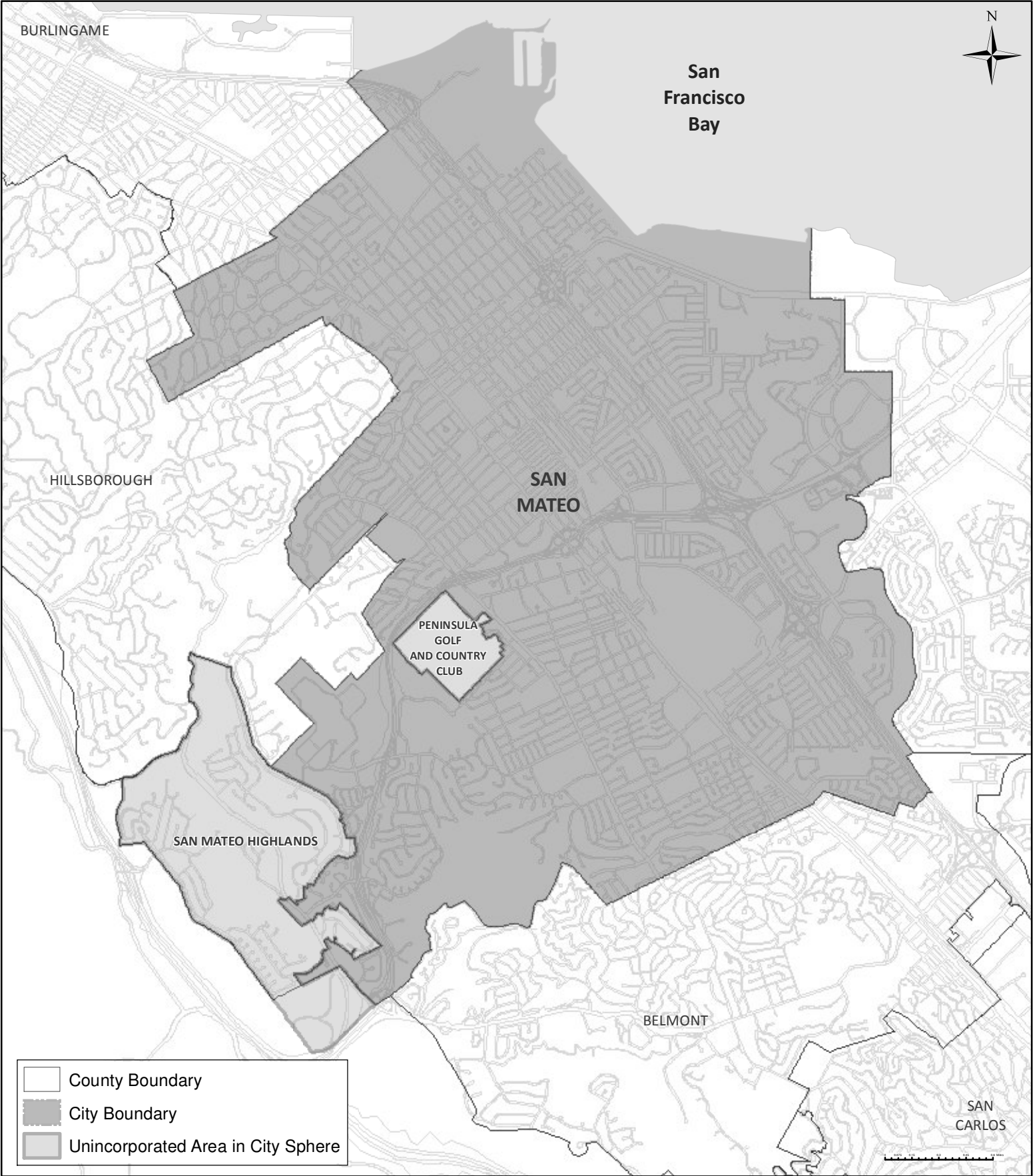
As noted above, spheres of influence are plans for the boundaries and governance of cities and special districts. LAFCo is required to adopt spheres of influence that are consistent with County and City General Plans based on both present and future demand for service and the capacity of affected agencies to provide service. The County's capacity to serve unincorporated areas is limited due to the number and distance of unincorporated pockets from the County Center and Corporation Yard and by the small sewer systems that cannot be efficiently served with small customer bases that must bear disproportionate capital costs

compared to larger City systems. The sphere of influence of the City of San Mateo to include the Highlands/Baywood Park/Baywood Plaza and the County's Tower Road facilities originally adopted in 1985 is consistent with land use patterns of surrounding cities and with the County General Plan. In regard to the Peninsula Golf Club, this area is wholly surrounded by the City. Staff recommends reaffirmation of the City of San Mateo sphere of influence as originally adopted in 1985.

The sphere of influence of County Service Area 1 (CSA 1) is that it be dissolved upon annexation of the territory to the City of San Mateo because upon annexation the municipal services would be transferred to the City. As a County Service Area, CSA 1 is authorized by enabling legislation to provide all municipal services. At this time there is no recommendation that the sphere be amended, rather that the sphere be revisited if in the future, it is determined that fiscal analysis and community consensus supports that CSA 1 be expanded to include all of the study area and powers be expanded to provide all services currently provided by single purpose districts.

**Prepared by: Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center
Redwood City, CA 94063
(650) 363-4224 (650) 363-4849
mpoyatos@smcgov.org**

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



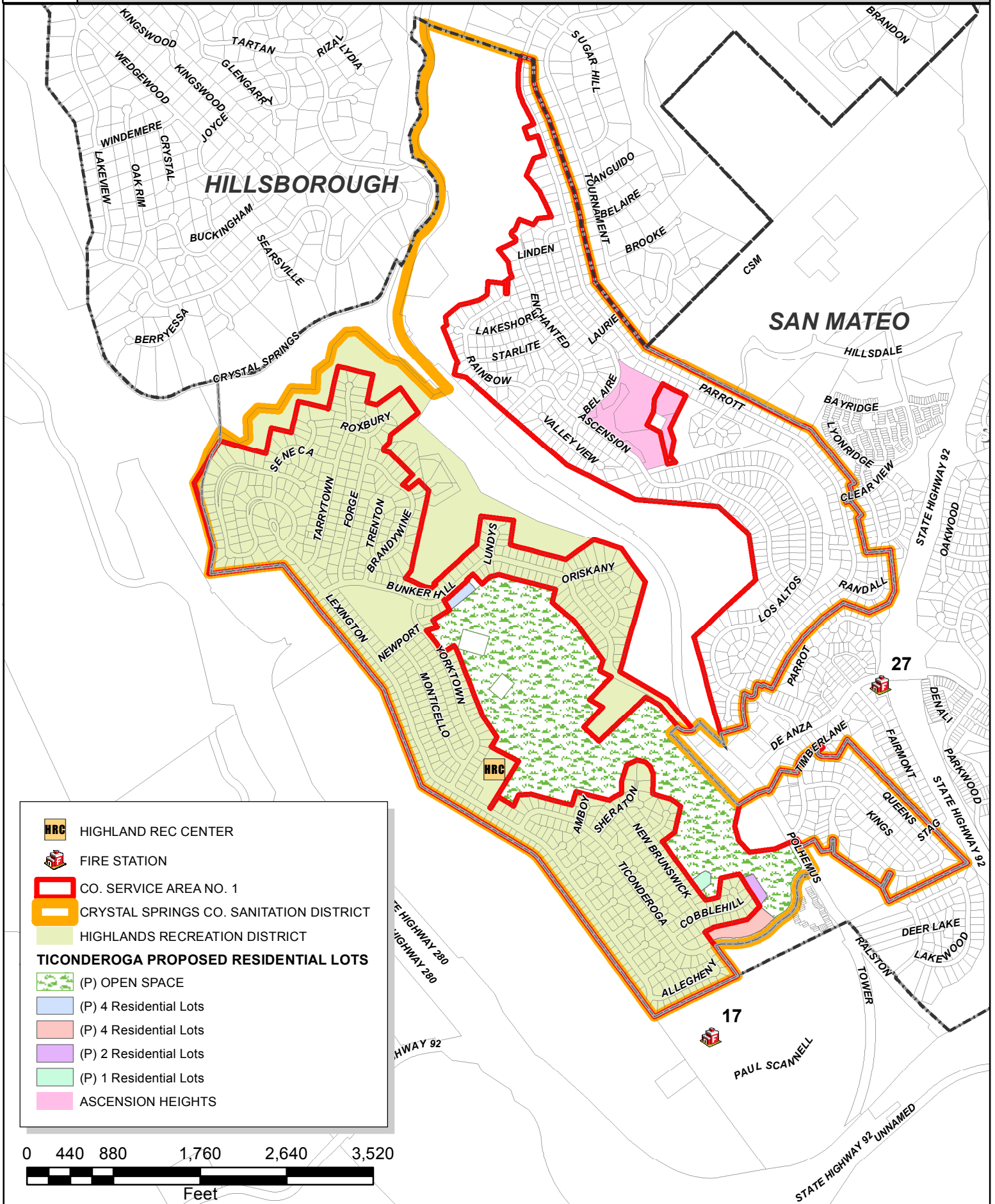
SAN MATEO SPHERE OF INFLUENCE

City boundaries are coterminous with county boundaries that extend into bay

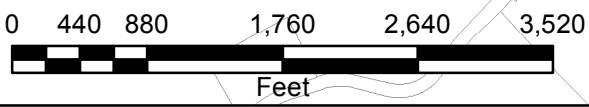


Unincorporated San Mateo County Highlands Area

MAP B



	HIGHLAND REC CENTER
	FIRE STATION
	CO. SERVICE AREA NO. 1
	CRYSTAL SPRINGS CO. SANITATION DISTRICT
	HIGHLANDS RECREATION DISTRICT
TICONDEROGA PROPOSED RESIDENTIAL LOTS	
	(P) OPEN SPACE
	(P) 4 Residential Lots
	(P) 4 Residential Lots
	(P) 2 Residential Lots
	(P) 1 Residential Lots
	ASCENSION HEIGHTS



Martha Poyatos - Re: follow up questions regarding public workshop on MSR/SOI update for the City of San Mateo, County-governed Districts and Highlands Recreation District

From: Martha Poyatos
To: Alissa Reindel
Date: 2/21/2013 6:39 AM
Subject: Re: follow up questions regarding public workshop on MSR/SOI update for the City of San Mateo, County-governed Districts and Highlands Recreation District
CC: Brigitte Shearer; John_youssefi@yahoo.com; Liesje Nicolas; cerle@sbcg...

Dear Ms. Reindel:

Please see answers in blue italics below.

Martha Poyatos, Executive Officer
 San Mateo LAFCo
 455 County Center, 2nd Fl.
 Redwood City, CA 94063
 650/363-4224
 650/363-4849 (fax)



>>> Alissa Reindel <alissa_reindel@yahoo.com> 2/20/2013 9:35 PM >>>
 Hi Martha,

Thank you for taking the time to meet with our community tonight at Highlands Elementary School. I have several follow up questions for you:

1. Who is initiating action in this case?

The only action initiated at this time is a State-mandated study LAFCo is required to complete for each city and special district in the County. The study (municipal service review) has seven areas of determination that must be addressed, including governance alternatives which include annexation. Please see paragraph 1 of page 1 of the Municipal Service Review which explains the requirement to prepare the study.

2. When will the action be initiated and who are the decision-makers?

As stated at the meeting last night any potential future action (I think you refer to an application for annexation or formation of subsidiary district) could be initiated by the residents or voters of the district, by the County of San Mateo or by the City of San Mateo. As stated last night an application for annexation would be the product of further study and consensus on the part of the residents, the city and the county that annexation is fiscally feasible and that there is demonstrated consensus and support for annexation. If an application for annexation or subsidiary district is

submitted, it would be submitted to LAFCo, an independent commission with jurisdiction over the boundaries of cities and special districts.

3. What are the anticipated consequences to our cost of living and our quality of life?

A feasibility study which is beyond the scope of the Municipal Service Review would examine advantages and disadvantages of annexation including detailed fiscal analysis. This study provides information on service levels of the City and service levels of County Service Area 1 for police and fire, the Sanitation District and the budgets. The cost of living issue is in part answered by the fact that property tax, whether one lives in a city or unincorporated area, is 1% of the assessed value of a residence. Another factor is the \$65 per year parcel tax paid to CSA 1. Another key cost of living issue as stated last night is the long term cost of operating a small sewer district with a small customer base and needed capital improvements. Study by the County Department of Public Works is ongoing on the long term solutions to the underfunded Crystal Springs County Sanitation District.

4. If the City of San Mateo doesn't want to annex us (and it sounds from your report like it doesn't), and the community doesn't want to be annexed, why is this even a matter for discussion?

The City thus far has indicated it does not see the merits of taking responsibility for the HRD as a subsidiary district and the City has noted that it did not initiate this discussion of annexation. Please see no. 1 above regarding a State mandate that LAFCOs in each County of the State prepare municipal service reviews that contain discussion of annexation and governance alternatives.

5. How do we work with the powers that be to create an ideal situation of cost-effective services management while maintaining or improving the quality of life we currently enjoy?

This scenario of multiple districts serving a small community is not an ideal situation, in particular the challenge of the Crystal Springs County Sanitation District as an underfunded district with significant capital improvements needs, lawsuits and increasing regulatory requirements the costs for which must be spread over a small customer base. The report includes information on your community of 4,025 persons, which is included (a portion) in the independent Highlands Recreation District and all of the community is included in Crystal Springs County Sanitation District managed by the Dept. of Public Works and CSA 1 managed by the County Manager's Office, both of which are governed by the Board of Supervisors. The report also details the small county governed lighting and drainage districts. As noted last night, the report offers alternatives (not in depth study) of potential efficiencies that could be studied by the County, community and city. The various points of contact with the County include the County Department of Public Works Department for the sewer and maintenance districts, the County Manager's Office for CSA 1 and Supervisor Dave Pine's Office.

6. I don't feel we were given enough information in favor of any of the alternatives described in the report to take any action in any direction. Will more thorough research and reporting be conducted?

The LAFCo report provides information on the complex service delivery patterns, the budgets of the various districts that provide municipal service and potential alternatives that can be further explored by the County, the community and the City if they so choose. It also includes information on the City of San Mateo services and budget. The report is not a feasibility study. The question for the community is are residents satisfied with the level and cost of service provided by the various districts including the Crystal Springs County Sanitation District. After further study by the County and the City regarding sewer service alternatives, the Community will have the opportunity to provide feedback on maintaining status quo with current service delivery or pursuing a consolidated sewer system or other solutions to achieve economies of scale in operation that could help mitigate future rate increases. As stated last night and in the report, the County and the City are studying the complex problem of the sanitation district. Please also see final paragraph below.

I hope that in the future we will be provided with better information so that we can make informed decisions about the direction of our community.

As stated above, the LAFCo study is not required or to intended to be a detailed fiscal analysis of annexation. The budget data in the LAFCo report for San Mateo and County-governed districts and the report for HRD have been reviewed by County Departments and HRD and the budget data for the City has been reviewed by the City. In this regard the LAFCo reports are the only existing documents that collectively provide information to the County of San Mateo and the residents concerning the multiple districts serving the Highlands/Baywood Park/Baywood Plaza unincorporated area and the cost of the services provided. Unlike cities, the various unincorporated neighborhoods that receive municipal service from the County do not have a single budget document that provides this detail of service costs. The Municipal Service Review is a foundation for the County and the Community to better understand service costs and service levels and if desired further study the fiscal feasibility of annexation, just consolidation of the sewer functions or other means to provide more efficient service.

Thanks for allowing us to email you with this follow up.

Best regards,

Alissa Reindel
Baywood Park

County Manager's Office



COUNTY OF SAN MATEO

COUNTY GOVERNMENT CENTER • REDWOOD CITY • CALIFORNIA 94063-1662
WEB PAGE ADDRESS: <http://www.co.sanmateo.ca.us>

BOARD OF SUPERVISORS

DAVE PINE
CAROLE GROOM
DON HORSLEY
ROSE JACOBS GIBSON
ADRIENNE TISSIER

John L. Maltbie
COUNTY MANAGER/
CLERK OF THE BOARD

(650) 363-4123
FAX: (650) 363-1916

Ms. Martha Poyatos, Executive Officer
San Mateo County LAFCo
455 County Center
Redwood City, CA 94063

March 8, 2013

Dear Ms. Poyatos,

The County of San Mateo offers the following comments on the LAFCo sphere of influence report on the Highlands Recreation District.

1. The County of San Mateo recognizes the benefit of the LAFCo sphere of influence reports that document the fiscal viability, Brown Act compliance and organizational options for special districts, cities and other local government jurisdictions throughout the County. The County is pleased to see that the HRD is a fiscally sound district with strong community support and that the District provides programs and facilities with high use by district residents and their near-by neighbors.
2. The County supports compliance with the Brown Act and maximum public access to all public meeting information. Thus, the County supports all recommendations in the LAFCo report related to increased public access to information about the HRD Board membership, meetings and actions.
3. The County agrees that the open space associated with the Ticonderoga Partners project is of local, not regional benefit, and is therefore not an appropriate County park site.
4. The County encourages the Highlands community to consider the benefits of a Community Service District to oversee and coordinate all the public services provided to HRD residents. Those services are currently provided by the HRD, CSA 1 and separate sewer, lighting and landscaping districts. A single district would allow residents to review the total cost of their public services and assess costs and service delivery options in a more coordinated way.

Sincerely,

Peggy Jensen, Deputy County Manager



COUNTY OF SAN MATEO

County Manager's Office Correspondence

Date: March 8, 2013

To: Martha Poyatos, Executive Officer, San Mateo LAFCo

From: Peggy Jensen, Deputy County Manager 

Date: March 8, 2013

RE: **Municipal Service Review and Sphere Update for the for the City of San Mateo and Associated County-governed Special Districts, Prepared by San Mateo LAFCo, Dated February 4, 2013**

San Mateo County offers the following comments on the Circulation Draft Municipal Service Review and Sphere Update for the for the City of San Mateo and Associated County-governed Special Districts prepared by LAFCo (LAFCo Report). The LAFCo Report evaluates the unincorporated area of the County, which includes the Highlands, Baywood Park, Baywood Plaza, Polhemus Heights, and San Mateo Oaks areas (review area).

General Comments

- a. The County of San Mateo recognizes the benefit of the LAFCo sphere of influence reports that review the options for providing public services to residents of the unincorporated areas.
- b. The County recognizes that provision of city type services to the 18 non-contiguous unincorporated areas can be more expensive than providing service within contiguous city limits, depending on the level of service provided, the number of residents that share the cost of the service, the age of the infrastructure and other factors.
- c. Given the geographic challenges of providing city type services to 18 dispersed unincorporated areas of varying sizes, the County provides the level of service requested by the local residents as cost effectively as possible.
- d. The County does not track the total cost of municipal services provided to each individual unincorporated area. While we agree that this data would be helpful for studies such as the LAFCo Report, it is not data that is easily captured under the current accounting system and doing this work would increase the service costs for each unincorporated area, service area, or district. The County can and will provide this information on an as needed basis and as accounting systems are modified will keep this recommendation in mind.
- e. While the County agrees that annexation of the CSA 1 area to the City of San Mateo may provide for more efficient delivery of services, the LAFCo Report also notes that annexation has been historically opposed by the residents of the review area. The

review area residents have repeatedly told the County and the Board of Supervisors that they highly value having a locally controlled recreation facility (Highlands Recreation District facility) and are willing to pay for the level of police and emergency protection provided by the CSA 1 contracts with the Sheriff and County Fire.

- f. The County agrees that the current multiple special district structure for service provision in the Highlands area is not optimum. The County encourages the community to consider the benefits of a Community Service District that would oversee and coordinate all the public services provided to review area residents. A single district would allow residents to review the total cost of their public services and assess costs and service delivery options in a more coordinated way.

Comments on CSA 1

The County has recently evaluated shared fire service in the review area and had discussions with the City of San Mateo (City) about shared services. During this review process, residents of the review area made known their support for retaining the CSA 1 engine and the County Fire engine at Station 17, even though the City engine is close by and the CSA 1 engine goes on relatively few calls a year. The review area residents were not interested in savings that would come from a shared engine. They want an engine located in their neighborhood and are willing to pay for that service.

Comments the Crystal Springs County Sanitation District (CSCSD)

- a. **CSCSD Sewer System** - The CSCSD maintains approximately 18 miles of sewer pipes with 1,429 sewer service connections and sewer service to 1,501 equivalent residential units (ERU). The CSCSD is one of ten County maintained sewer/sanitation districts and is the third largest in terms of pipe miles and customers served. It is the second farthest sewer district from the Redwood City corporation yard where equipment and staff are dispatched. The County has been working over the past several years to set sewer rates that are sufficient to adequately support the CSCSD. Significant progress has been made to set rates to support in-district expenses (operation and maintenance, repairs, capital improvement projects, and administration), treatment costs, and out-of-district or downstream capital improvement projects.
- b. **Cease and Desist Order Impact on CSCSD** - A significant issue facing the CSCSD is the work required and associated costs to comply with a Cease and Desist Order No. R2-2009-002 (CDO) issued by the Regional Water Quality Control Board in 2009 to the CSCSD, Town of Hillsborough (Town), and City of San Mateo (City). The CDO stipulates specific capital improvements that must be completed by each of the three agencies within certain timelines. The CSCSD is required to complete eight identified capital improvement projects within the District by September 2013. The estimated cost of this work is \$2.5 million. The CSCSD has applied for a State Revolving Fund Loan, which is a 20-year loan with a low interest rate, to finance this work.

The CSCSD relies on the downstream agencies, namely the Town and the City, to transport sewage from the CSCSD to the wastewater treatment plant owned and operated by the City. The CDO identified capital improvement projects that must be completed by the Town and City for which the CSCSD must pay their respective portion of. Although there are numerous capital improvement projects required by the CDO, the most immediate downstream projects to be completed are the Town's Crystal

Springs/El Cerrito Trunk Sewer Phase II and the City's El Cerrito Relief Line Project with current estimated costs of \$12 million and \$15 million, respectively. The CSCSD will be responsible for paying 37% of these costs or \$4.44 million for the Town project and \$5.55 million for the City's project.

The current CSCSD rates have been based on the premise that the downstream agencies would obtain the financing for their projects through either a State Revolving Fund Loan or bond financing and the CSCSD would pay their respective portion of the loan or bond payments to the downstream agency. Based on the CSCSD's current understanding, the downstream agencies do not intend to obtain loans or bonds to finance the cost of their projects, but instead are requiring that each agency obtain or pay their respective portions separately. This presents a significant issue for the CSCSD and their rate payers because the CSCSD would have to increase the sewer rates significantly to be able to qualify for a loan for the downstream capital on their own.

- c. **CSCSD Options** – The impact of the CDO on the CSCSD is significant. If the CSCSD is to remain managed by the County as it is currently, then the sewer rates must be increased to pay the CSCSD's share of the downstream capital improvement projects. Based on the Department of Public Works and Parks' calculations, it has been estimated that the current rates of \$1,350 per ERU would need to be increased to \$1,650 per ERU in order for the CSCSD to qualify for a SRF loan to pay their portion of the two downstream capital improvement projects listed above. It would be necessary for the property owners to be supportive of these increased sewer rates. The CSCSD property owners have successfully implemented a Prop 218 majority protest, which prevented a previous rate increase. Based on the County's experience, sewer rate increases are generally not received favorably and because the CDO has specific timelines for completion of downstream capital improvement projects, any necessary rate increases would need to be approved in a short time frame.

The LAFCo Report outlines three options to the current structure for providing sewer service to the review area. The options include: annexation, subsidiary district, and contracting for sewer operations and maintenance with nearby cities. Based on the CDO and the costs of the required downstream capital improvement projects, these options should be carefully considered. There are economies of scale that could be realized by having the CSCSD included in a larger sewer system. The City has approximately 27,000 accounts, 236 miles of sewer pipe, and owns and operates the wastewater treatment plant that treats the sewage emanating from the CSCSD. The City also has an area near the upstream end of the CSCSD that contributes flow to the CSCSD's system. The City and County are evaluating the feasibility of implementing alternatives to the current situation that would allow the CSCSD to pay their share of downstream improvements without having to qualify for a loan on their own. This analysis is not complete and has not been discussed or considered by their respective Council or Board. The financial imposition of the CDO puts the CSCSD in a different and more difficult situation than it has faced previously. If there is an alternate method of service delivery that would not require a rate increase with sufficient revenue to pay the CSCSD's share of the downstream agency project costs, it should be carefully considered by the City, the CSCSD, and the property owners in the review area. It is recognized that the City property owners pay for sewer service based on their winter water consumption and the average sewer rates are lower than the rates in the CSCSD. If the City were to become responsible for providing sewer service to the CSCSD area, it is

anticipated that the CSCSD rates would remain stable for the next several years and over time a phased in rate adjustment may be possible.

The County Board of Supervisors adopted Resolution No. 070565 on December 15, 2009 requesting that LAFCO evaluate the benefit and feasibility of consolidating all ten County governed sewer/sanitation districts. In response to the request, the LAFCo Commission determined that in lieu of preparing a separate study related specifically to consolidation, the sewer/sanitation districts and alternatives to the current delivery of service would be considered in connection with the municipal service reviews and sphere of influence studies. The LAFCo Report contains information consistent with the previous determination of the LAFCo Commission.

Comments on the County-governed Maintenance Districts (Lighting, Drainage, and Landscape)

- a. **Lighting Districts** - The review area includes two of the eleven street light districts for which the Board of Supervisors are the governing body. These districts include the Enchanted Hills Highway Lighting District with 30 street lights and the Bel-Aire Highway Lighting District with 225 street lights. Revenue to support the street lights is from the property taxes paid by property owners within each district. Based on the current level of service, the revenue is adequate to support the operations of each separate district. However, California Streets and Highways Code Section 19160 provides that the governing board of a highway lighting district may consider the installation of additional streetlights if a petition signed by twenty (20) or more taxpayers in the district is filed with the district's governing body. If the property owners identified a need for a significantly higher levels of lighting that could be met by the installation of additional lights, the districts would have to carefully evaluate whether the costs of the additional lights could be sustained. Additionally, if there was a desire by the property owners in the review area to have the existing street light poles or fixtures replaced, the costs would have to be carefully evaluated. Based on the current revenues and expenditures of the lighting districts, these districts appear to be sustainable.
- b. **Drainage Maintenance Districts** – The review area includes three drainage maintenance districts. The drainage districts include: Baywood Park Drainage Maintenance District, Enchanted Hills Drainage Maintenance District, and Highlands Drainage Maintenance District. These districts either have no revenue source or very limited revenue through an apportionment of property taxes. The drainage systems to be maintained by the districts are limited to drainage facilities located within easements that were typically installed when the subdivision improvements were constructed. The available funding in each of the districts is insufficient for maintenance, repair or replacement of drainage facilities. Given the fact that the districts have inadequate revenue and fund balances, consideration should be given to an alternate model of operation and funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing drainage districts with dissolution of the drainage maintenance districts. An alternate scenario could include creation of a Community Services District that would have the responsibility for these facilities. The drainage systems within the road right-of-way are typically maintained by the Department of Public Works and Parks's Road Division.
- c. **Landscaping Maintenance District** – The review area includes the Highlands Landscape Maintenance District. This district's purpose is to maintain limited

landscaping of street island planting areas. The revenue and fund balance are modest. The work to be performed by the district is distinct and remote to other activities similar in nature. Given the fact that the district has limited resources and responsibilities, consideration should be given to an alternate model of operation and possibly funding. An option exists for the existing powers of CSA 1 to be expanded to include the responsibilities of the existing landscaping district and dissolution of the landscape maintenance district. An alternate scenario could include creation of a Community Services District that would have the responsibility for landscape maintenance activities.



Highlands Recreation District

1851 Lexington Avenue • San Mateo, CA 94402

(650) 341-4251 • Fax (650) 349-9627

www.highlandsrec.ca.gov

"Where Family Traditions Begin"

March 11, 2013

Don Horsley, Chair

San Mateo County Local Agency Formation Commission (LAFCO)

455 County Center, 2nd Floor

Redwood City, CA 94063

Chairman Horsley,

Thank you for the opportunity to respond further to the Circulation Draft MSR and SOI Update for the Highlands Recreation District dated November 15, 2012.

In addition to the comments submitted previously, the Board of Directors writes to provide additional input to the Highlands Recreation District's MSR. These topics are intended to supplement, not replace, those included in our January 15, 2013 communication.

The Highlands Recreation District Fee Structure Is Consistent with Its Mission

Since its inception, the Highlands Recreation District's mission has been to serve the needs of the Highlands Community. The term "Highlands Community" specifically refers to the approximately 800 homes within the Highlands Recreation District's boundaries. In County communications and LAFCO documents, there are frequent references to 'Unincorporated Highlands,' 'the San Mateo Highlands' and the like which may or may not refer to a larger area, including other nearby unincorporated areas such as Baywood Park, Baywood Plaza, etc. Only those homes within the Recreation District's boundaries are contributing a portion of property tax monies to the District's revenues. Non-residents are welcome at our facility because, without them, we could not offer the quality, breadth and depth of programs currently available. However, non-residents pay a premium to participate because they do not contribute property taxes to our operation.¹ Because the Rec Center's program offerings are

¹ Similarly, Highlands residents pay a premium to participate in programs offered by the Parks and Recreation Departments of nearby cities.

currently at capacity, the Board has recently approved a gradual increase in the program fee premiums charged to non-residents.

In very limited cases, the District also offers a three-tiered pricing structure. In those cases, the residents of CSA1 (who are not already Highlands residents) are charged a lesser premium than non-residents. Currently such three-tiered pricing is only available for pool memberships and the Early Education Center. The majority of programs are offered at the two-tiered pricing structure described above.

The Board of Directors will continue to closely monitor the capacity and pricing strategies to ensure that the Rec Center remains fully-utilized and financially sound.

Recommendation

As stated in the San Mateo Court Grand Jury's 2004 Review of Special Districts:

...special districts are created in response to urgent community needs. These needs, over time, may decline, disappear, or require a change in operating models. This can leave a district in search of a reason for being or offering services that can be more efficiently provided elsewhere. The California Legislature, recognizing this problem, has empowered LAFCO (Local Agency Formation Commission) to be its instrument of change. Each county has a county LAFCO agency that is concerned with the creation, reorganization, and dissolution of government entities.

The community needs addressed by the Highlands Recreation District have only increased since its inception in 1957. Through measured growth, capital improvements and even economic downturns, the District has been ably governed by its elected Board of Directors for over 55 years. These Directors bring not only professional expertise in areas such as finance, engineering, law, and management, but are also dedicated residents of the small, unique community they serve. This *is* efficient and effective government in action.

Therefore, while the sphere of influence adopted by the City of San Mateo in 1985 states that the Highlands Recreation District would become a subsidiary of the City of San Mateo should the unincorporated area within the District be annexed to the City, we reiterate our prior request that the outcome of the LAFCO Commission's review of the Highlands Recreation District be a recommendation for an amendment of the sphere, such that the Highlands Recreation District shall remain an independent, self-governed, special district, and not a subsidiary district, even if the area served by the District is annexed now, or in the future, to the City of San Mateo.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Michelle McNeil".

Michelle McNeil
Highlands Recreation District Board President

cc: Martha Poyatos, LAFCO
Highlands Community Association



Highlands Recreation District

1851 Lexington Avenue • San Mateo, CA 94402

(650) 341-4251 • Fax (650) 349-9627

www.highlandsrec.ca.gov

"Where Family Traditions Begin"

March 12, 2013

Don Horsley, Chair

San Mateo County Local Agency Formation Commission (LAFCO)

455 County Center, 2nd Floor

Redwood City, CA 94063

Chairman Horsley,

This letter is written in response to LAFCO's recently prepared Draft Municipal Service Review for the City of San Mateo and Associated County-governed Special Districts. While the Highlands Recreation District's review was addressed in a separate document, the City/ CSA1 review document includes several references to the Highlands Recreation District and covers several agencies with whom the HRD collaborates. Therefore, we hereby submit additional comments to be considered in determining the recommendation by the LAFCO Commission.

Highlands Recreation District Remains Isolated

Part of what makes the Highlands Recreation District unique and effective is its remote location and its strong ties and collaboration with co-located service districts. While the City of San Mateo has expanded westward over the years, the Highlands remains a separate community on the top of a hill. Car access has been somewhat facilitated by the advent of Highways 280 and 92, but with reduced public transportation, the net result is an insulation which is cherished and valued by its residents.

Collaboration Across Service Agencies

The HRD actively collaborates with the CalFire and County Sheriff's offices to provide precisely the cost efficiencies encouraged by LAFCO. The HRD provides a Sheriff's substation, at no cost to the County or the Sheriff's Office, to offer Sheriff deputies a secure, comfortable, local space at which to attend to administrative tasks while on duty. The Sheriff's office is grateful for such accessible, centrally-located facilities and Highlands residents are grateful for the Sheriff's visible presence. The Sheriff's Activity League also provides funds for youth programs offered

at the HRD. Similarly, CalFire and HRD collaborate to provide CERT Emergency Response training to CSA1 residents. CalFire provides meeting rooms and trainers. HRD provides the marketing, administration and support. CalFire also supports HRD with annual swimming pool dome installation and removal and is present at many community events. These relationships cannot be measured by monetary savings, but they are the foundation of a safe, healthy and well-run community. It is the strong belief of the HRD that agency consolidations suggested in the LAFCO MSR would result in a significant decrease, not only in quality of service, but also in community-strengthening collaborations described above.

Highlands Recreation District Fee Structure

Only those homes within the Recreation District's boundaries are contributing a portion of property tax monies to the District's revenues. Non-residents are welcome at our facility because, without them, we could not offer the quality, breadth and depth of programs currently available. However, non-residents pay a premium to participate because they do not contribute property taxes to our operation.¹ Because the Rec Center's program offerings are currently at capacity, the Board has recently approved a gradual increase in the program fee premiums charged to non-residents.

In *very limited* cases, the District also offers a three-tiered pricing structure. In those cases, the residents of Baywood Park and Baywood Plaza are charged a lesser premium than other non-residents. Currently such three-tiered pricing is only available for pool memberships and the Early Education Center. The *majority* of programs are offered at the two-tiered pricing structure described above. Program registration preference is given to Highlands residents in many programs and, in one case, secondary preference is given to CSA1 residents. This resident/ non-resident pricing and registration structure is similar to that of many City Park and Rec programs, where 'Unincorporated Highlands' residents pay non-resident premiums and have lower registration preference.

The Board of Directors will continue to closely monitor the capacity and pricing strategies to ensure that the Rec Center remains fully-utilized and financially sound.

No New or Enhanced Park and Recreation Services Have Been Planned, and There is No Duplication

The HRD has no plans to enhance park and recreation services. As stated above, the HRD facility is at capacity and continues to strive to meet the needs of the Highlands Community within those capacity limitations. The Beresford Recreation Center located in the City of San

¹ Similarly, Highlands residents pay a premium to participate in programs offered by the Parks and Recreation Departments of nearby cities.

Mateo is an excellent facility and an important asset to the residents of San Mateo County. However, Beresford does not offer the same program and service portfolio as the HRD and thus there is no unnecessary duplication of offerings. No park and recreation facilities within the City boundaries 'already serve residents of unincorporated areas of the City's sphere.' (p.43) While their programs are available to unincorporated residents, it should not be presumed that the Highlands Recreation District's programs and services are in any way unnecessary, underutilized or duplicative.

Conclusion

While the sphere of influence adopted by the City of San Mateo in 1985 states that the Highlands Recreation District would become a subsidiary of the City of San Mateo should the unincorporated area within the District be annexed to the City, we reinforce our request that the outcome of the LAFCO Commission's reviews of the Highlands Recreation District and the City of San Mateo/ CSA 1 result in a recommendation for an amendment of the sphere, such that the Highlands Recreation District shall remain an independent, self-governed, special district, and not a subsidiary district, even if the area served by the District is annexed now, or in the future, to the City of San Mateo.

Thank you for your time and consideration.

Sincerely,



Michelle McNeil
Highlands Recreation District Board President

cc: Martha Poyatos, LAFCO
Highlands Community Association

currently at capacity, the Board has recently approved a gradual increase in the program fee premiums charged to non-residents.

In very limited cases, the District also offers a three-tiered pricing structure. In those cases, the residents of CSA1 (who are not already Highlands residents) are charged a lesser premium than non-residents. Currently such three-tiered pricing is only available for pool memberships and the Early Education Center. The majority of programs are offered at the two-tiered pricing structure described above.

The Board of Directors will continue to closely monitor the capacity and pricing strategies to ensure that the Rec Center remains fully-utilized and financially sound.

Recommendation

As stated in the San Mateo Court Grand Jury's 2004 Review of Special Districts:

...special districts are created in response to urgent community needs. These needs, over time, may decline, disappear, or require a change in operating models. This can leave a district in search of a reason for being or offering services that can be more efficiently provided elsewhere. The California Legislature, recognizing this problem, has empowered LAFCO (Local Agency Formation Commission) to be its instrument of change. Each county has a county LAFCO agency that is concerned with the creation, reorganization, and dissolution of government entities.

The community needs addressed by the Highlands Recreation District have only increased since its inception in 1957. Through measured growth, capital improvements and even economic downturns, the District has been ably governed by its elected Board of Directors for over 55 years. These Directors bring not only professional expertise in areas such as finance, engineering, law, and management, but are also dedicated residents of the small, unique community they serve. This *is* efficient and effective government in action.

Therefore, while the sphere of influence adopted by the City of San Mateo in 1985 states that the Highlands Recreation District would become a subsidiary of the City of San Mateo should the unincorporated area within the District be annexed to the City, we reiterate our prior request that the outcome of the LAFCO Commission's review of the Highlands Recreation District be a recommendation for an amendment of the sphere, such that the Highlands Recreation District shall remain an independent, self-governed, special district, and not a subsidiary district, even if the area served by the District is annexed now, or in the future, to the City of San Mateo.

Thank you for your consideration.

Sincerely,

A handwritten signature in cursive script that reads "Michelle McNeil".

Michelle McNeil
Highlands Recreation District Board President

cc: Martha Poyatos, LAFCO
Highlands Community Association

OFFICE OF THE CITY MANAGER



330 West 20th Avenue
San Mateo, California 94403-1388
Telephone (650) 522-7000
FAX: (650) 522-7001
Website: //www.cityofsanmateo.org

December 14, 2012

Martha Poyatos
Executive Director
San Mateo Local Agency Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063

*Re: Draft Municipal Services Review and Sphere of Influence Update –
Highlands Recreation District*

Dear Ms. Poyatos:

This letter is concerning the Draft Municipal Services Review and Sphere of Influence Update for the Highlands Recreation District (HRD) that was issued by LAFCo in November 2012.

In the review, LAFCo documents the functions of the HRD and identifies several possible alternatives for district governance. The City of San Mateo shares LAFCo's interest in promoting the provision of efficient government services, although we maintain a concurrent interest in ensuring that any recommended governance structure is in the best interest of our City.

The recommended governance structure contained in the existing sphere of influence for the HRD states that if the Highlands neighborhood were ever annexed to the City of San Mateo, the HRD should become a subsidiary district of the City, with segregated assets, finances, and liabilities to be governed by the San Mateo City Council. At this time, there do not appear to be efficiencies provided by such a structure, and it is unclear how or if this model of governance would benefit either agency.

We encourage LAFCo to consider this feedback in preparation of the final Municipal Service Review and Sphere of Influence Update.

Sincerely,

Susan M. Loftus
City Manager



DEPARTMENT OF FORESTRY AND FIRE PROTECTION (CAL FIRE)
SAN MATEO - SANTA CRUZ UNIT

6059 Highway 9
Felton, CA 95018
(831) 335-5355
Website: www.fire.ca.gov



December 4, 2012

RECEIVED

DEC 10 2012

LAFCO

Ms. Linda Craig, Chair
San Mateo County Local Agency Formation Commission (LAFCO)
455 County Center, 2nd Floor
Redwood City, CA 94063

Ms. Craig,

I understand that LAFCO is currently reviewing the Municipal Service Review and Sphere of Influence Update for the Highlands Recreation District (HRD). CAL FIRE and the Highlands Rec District have enjoyed a very productive and mutually beneficial collaborative relationship for years.

As you know, our community is situated on the very western edge of unincorporated San Mateo. Several years ago, the HRD staff dedicated resources to assist in establishing and maintaining a Community Emergency Response Team (CERT). CAL FIRE provides the training that has now certified over 100 persons on the steps to safely and effectively assist in the event of a disaster. The program would not be this robust without the HRD commitment to its continued success and without the positive working relationship between the HRD and CAL FIRE.

The Rec Center is a well-managed and well-maintained facility. The Board and staff's commitment to safety is excellent. As a result, our services are rarely needed for emergency response, but more likely to deliver Santa Claus or assist with the annual raising of the dome that is installed over the pool each fall. The Rec Center staff also works diligently with FireSafe Crews and us to ensure that the HRD open space acreage is properly maintained.

The careful and conscientious oversight of HRD management makes this an efficient and effective hub for an active community. There is no need to change any part of District's structure. Therefore, I support the Highlands Recreation District's desire to remain an independent special district and, on behalf of CAL FIRE, I respectfully request that the Commission recommend that the HRD's Sphere of Influence designation remain unchanged.

Thank you for your consideration.

Sincerely,

Scott M. Jalbert
Deputy Chief- Operations
San Mateo Division

cc: ✓ Martha Poyatos, LAFCO
Brigitte Shearer, Highlands Recreation District



COUNTY OF SAN MATEO

Office of the Sheriff

GREG MUNKS
SHERIFF

CARLOS G. BOLANOS
UNDERSHERIFF

TRISHA L. SANCHEZ
ASSISTANT SHERIFF

400 COUNTY CENTER REDWOOD CITY CALIFORNIA 94063-1662 TELEPHONE (650) 599-1664 www.smcsheriff.com

ADDRESS ALL COMMUNICATIONS TO THE SHERIFF

Date: March 8, 2013

To: Martha Poyatos, Executive Director of the San Mateo County LAFCo

From: Sheriff Greg Munks

Subject: San Mateo County Sheriff's Office Comments on the LAFCo City of San Mateo Sphere of Influence Report

Thank you for the opportunity to provide comments on the LAFCo Sphere of Influence Report for the City of San Mateo.

Beginning in 1966, the San Mateo County Sheriff's Office has been providing enhanced law enforcement services to the residents of County Service Area 1 through a contract with the County. Under this contract, the County Service Area 1 budget funds 18 hours of Sheriff's Office patrol services (6:00 AM to 12:00 AM) seven days per week.

We believe that the law enforcement services provided by the San Mateo County Sheriff's Office are both at a superior level and extremely cost effective. Our ability to provide a high level of services in a cost effective manner has resulted in three municipalities (San Carlos, Half Moon Bay and Millbrae) entering into a contract with the Sheriff's Office for law enforcement services, as well as additional interest from other cities.

The San Mateo County Sheriff's Office does not agree that annexation of the County Service Area 1 to the City of San Mateo would provide for more efficient delivery of services. The LAFCo report also notes that annexation has historically been opposed by the residents of the Highlands community. The Highlands area residents have repeatedly told the County and the Board of Supervisors that they are willing to pay for the level of police protection provided by the County Service Area 1 contracts with the Sheriff's Office. I concur with the residents' perspective and do not support any annexation recommendation.



DAVE PINE
SUPERVISOR, FIRST DISTRICT
SAN MATEO COUNTY

December 19, 2012

Chair Linda Craig
Local Agency Formation Commission Members
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: **Municipal Service Review and Sphere of Influence Update for the Highlands Recreation District**

Dear Chair Craig and Local Agency Formation Commission Members:

As the representative of the Highlands area on the San Mateo County Board of Supervisors, I am writing to you concerning the Municipal Service Review and Sphere of Influence Update for the Highlands Recreation District (HRD) that will be considered by the San Mateo County Local Agency Formation Commission (LAFCo) at its meeting on December 19, 2012.

For over half of a century the HRD has provided a range of services to the Highlands community which is comprised of approximately 789 residential parcels. The HRD also serves other neighborhoods within unincorporated County Service Area Number One, such as Baywood Park and Baywood Plaza.

The residents of the community have built a remarkable sense of community with the HRD at its center. The recreation center and the ancillary facilities managed by the HRD are a focal point for families and seniors alike.

Due to the strong management of the HRD and the community's consistent support, the HRD is financially sound. As an independent special district, the HRD is almost completely insulated from external budgetary fluctuations within the county, state or federal governments.

While there is no current proposal by LAFCo to dissolve, merge or annex the HRD, it is important to note that any such action would be detrimental to the Highlands community. A merger, dissolution or annexation would likely undermine the ability of the HRD to maintain a local identity similar to that it now enjoys, erode community support, and impair the ability of the locally governed facilities to meet immediate community needs.

I respectfully request that the members of LAFCo consider supporting a status quo finding so that the district may continue to effectively operate as it has since 1957.

Thank you for your consideration. If I may be of any assistance to you please feel free to contact my office at 650-363-3012.

Sincerely,



Dave Pine
Supervisor, District 1

cc: Martha Poyatos, LAFCo Executive Officer
Brigitte Shearer, General Manager, Highlands Recreation District
Hal Carroll, Chair, Highlands Recreation District

C2/DB

From: Jim Porter
To: Gerard Ozanne
CC: Ann Stillman; Dave Pine; Don Horsley; HCA Pres; Palter Alan; Peggy ...
Date: 3/4/2013 4:19 PM
Subject: Re: CSA1 Meeting PWorks
Attachments: DPW CSSD re City of San Mateo.pdf

Mr. Ozanne,

In response to your e-mail of February 27, 2013 I am providing some necessary clarification and additional information.

The meeting on February 11, 2013 that the Department of Public Works arranged with representatives of the five homeowner associations in the Crystal Springs County Sanitation District (District) was related to District specific issues. It was not in relation to County Service Area No. 1 (CSA 1), which provides for Police and Fire Protection to the area within CSA 1. I appreciate that you initiated the meeting by contacting me and reminding us that we needed to schedule a meeting to discuss District issues as it had been a while since we last met. Additionally, the meeting was not specifically related to the District and the Local Agency Formation Commission (LAFCo) "Municipal Service Review and Sphere Update for the City of San Mateo and Associated County-governed Special Districts" report, however, this report was discussed during the meeting.

With regard to the letter you provided as an attachment to your e-mail (attached for your reference) I am providing responses. I have restated two sentences from the letter (1 & 2 below) and provided a response (R) to each. As you stated in your e-mail the sentences convey the understandings of you and the other HOA representatives.

1. "We learned from this update with you that any detailed consideration of Crystal Springs County Sanitation District (CSCSD) tax changes is a long way off."

R1. We discussed the current delivery of sewer service to the District by the County and opportunities that may exist for providing service to the area through different mechanisms. The LAFCo report discussed three alternatives to the current District's operations. These alternatives included: annexation, subsidiary district, and contracting for sewer operations and maintenance with nearby cities.

Because the District is an enterprise district it must rely on revenue from sewer service charges based on set sewer rates. Referencing "tax changes" is not very relevant to the discussion of the most optimal method of service delivery. I presume you are using "tax changes" to reference a change in the delivery of service.

A change to the operations or responsibility of the District's sewer system in the very short term has not been identified. It is, however, something being evaluated by the City of San Mateo and District. A driving force for this evaluation are the downstream capital improvements required by the Regional Water Quality Control Board Cease and Desist Order, which must be completed by September 2015 with a significant portion of the funding from the District. As discussed at the meeting, the District cannot qualify for a State Revolving Fund loan for their share of the downstream capital improvements on their own without increasing sewer service rates. Increasing sewer rates is not desirable to the property owners or the District.

2. "As far as Department of Public Works is concerned the LAFCo Office has no specific information that would support the Local Area Formation Commission making any recommendations regarding annexation of our sanitation district services at this time."

R2. The LAFCo report provides an analysis and information related to the delivery of service and special districts serving your unincorporated area. As I mentioned above, the report includes three alternatives to

the current delivery of sewer services. Considering the increasing regulatory requirements, the current Cease and Desist Order compliance requirements, the size and location of the District, and the fact that sewage from the District is delivered to the City of San Mateo wastewater treatment plant it is important to explore alternate options for providing sewer service. A detailed cost analysis and comparison will be informative and is something the District and City of San Mateo is working to finalize, as noted in the LAFCo report. The first step is to determine the feasibility with subsequent steps including evaluation of mechanisms that could be used for a different service delivery model.

The Department of Public Works has not yet commented on the LAFCo report.

I hope this is helpful and clarifies our understanding of some of the issues discussed at our recent meeting.

Sincerely,

Jim Porter
Director of Public Works
County of San Mateo/CSCSD

Save Paper.
Think before you print.

>>> Gerard Ozanne <ozannej@anesthesia.ucsf.edu> 2/27/2013 7:50 PM >>>
Hi Jim,

We thank you and your staff for meeting with CSA1 representatives to discuss the current status of our Sanitation District with respect to LAFCo analyses. We look forward to further discussions as soon as the County of San Mateo Public Works and City of San Mateo Public Works Departments receive the feasibility study of consolidating CSCSD and the City's sewer systems.

I have attached a letter from CSA1 representatives summarizing our understanding of the insufficient knowledge base with respect to annexation of the CSA1 Sanitation District into the City of San Mateo sewer system.

Thank you for all your help,

Jerry Ozanne

SAN MATEO COUNTY SERVICE AREA NUMBER ONE COMMUNITY ASSOCIATIONS

February 22, 2013

Jim Porter, Director

San Mateo County Department of Public Works

555 County Center

Redwood City, CA 94063

RE: Crystal Springs County Sanitation District

Dear Jim

Thank you very much for meeting with us February 11, 2013.

We learned from this update with you that any detailed consideration of Crystal Springs County Sanitation District (CSCSD) tax changes is a long way off. As far as Department of Public Works is concerned the LAFCo office has no specific information that would support the Local Area Formation Commission making any recommendations regarding annexation of our sanitation district services at this time.

We look forward to our next meeting with you.

Sincerely

Jerry Ozanne, Baywood Park Homeowners Association

Alan Palter, Baywood Plaza Homeowners Association

Rick Priola, President Highlands Community Association

John Youssefi, Polhemus Heights Homeowners Association

Hal Kuehn, San Mateo Oaks Homeowners Association

Martha Poyatos - Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

From: <astridmarie@aol.com>
To: <mpoyatos@smcgov.org>
Date: 3/4/2013 4:56 PM
Subject: Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

Dear Ms. Poyatos,

Thank you for your reply. Thank you for your clarification, yes, I would prefer that the HRD remain an independent district regardless of whether the territory HRD serves is unincorporated or annexed to the City of San Mateo.

I also understand your point regarding annexation. It is my hope that those other options are thoughtfully reviewed and analyzed. Many of us feel strongly about the option of annexation, however, and we feel it is important that the commission is aware that this option is the least desirable and least feasible, in my opinion.

Kindest Regards,

Astrid Spencer

-----Original Message-----

From: Martha Poyatos <mpoyatos@smcgov.org>

To: astridmarie <astridmarie@aol.com>

Cc: Dave Pine <DPine@smcgov.org>; Don Horsley <DHORSLEY@smcgov.org>; brigitte <brigitte@highlandsrec.ca.gov>

Sent: Mon, Mar 4, 2013 4:43 pm

Subject: Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

Dear Ms. Spencer:

Thank you for your thoughtful comments on the LAFCo studies regarding HRD and the City of San Mateo and County-governed districts. Your e-mail will be included in the report to the Commission. Please note that as contained in the report on HRD, the sphere of influence for HRD adopted by the Commission in 1985 is that HRD become a subsidiary district of the City upon annexation of the territory served by the District. I interpret your comments to mean that you request amendment of the HRD sphere to be status quo so that it would remain an independent district regardless of whether the territory HRD serves is unincorporated or annexed to the City of San Mateo.

Also, I note that the report discusses alternatives for governance and is not intended to be a detailed analysis of annexation. Such an analysis would be initiated if there were demonstrated interest from the community and the City.

Again, on behalf of the Commission thank you for taking the time to comment on the reports. Your comments will be provided to the Commission.

Sincerely,

Martha Poyatos - Mar. 20, 2013 LAFCo Hearing re San Mateo County Service Area No.1; Crystal Springs County Sanitation District, Highlands Recreation District, City of San Mateo and San Mateo County

From: "David E. Newhouse" <denewhouse@newhouse-associates.com>
To: <mpoyatos@smcgov.org>, <dpine@smcgov.org>, <dhorsley@smcgov.org>, <water...>
Date: 3/12/2013 3:42 PM
Subject: Mar. 20, 2013 LAFCo Hearing re San Mateo County Service Area No.1; Crystal Springs County Sanitation District, Highlands Recreation District, City of San Mateo and San Mateo County
CC: Nextdoor The Highlands <reply@nextdoor.com>

NEWHOUSE & ASSOCIATES
Twin Oaks Office Plaza Suite 112
477 Ninth Ave.
San Mateo, CA 94402-1858

Federal Tax ID No 94-2239932

David E. Newhouse, Esq.
Reg. Patent Attorney No. 24,911
CA State Bar No. 54,217

Tel. No. (650) 348-8652
Fax. No. (650) 348-8655
Email: denewhouse@newhouse-associates.com

March 12, 2013

Dear San Mateo LAF Commission:

My wife Yvonne Newhouse and I resided at 1516 Tarrytown Street within the County Service Area No. 1.

The published Hearing Notice specifies consideration of:

- 1) the Sphere of Influence of the Highlands Recreation District, and
- 2) City of San Mateo, County Service Area 1, Crystal Springs County Sanitation District and related County-governed Districts.

The primary issue relating to the Highlands Recreation District is the dedication and governance of the 92 acres of open space as a component of an 11 home subdivision. Offer of transfer and annexation would analyze costs and district resources associated with maintenance of these lands. To this end, the District's 2012-13 Adopted Budget includes a goal of continuing to work toward acceptance of donation of the lands dedicated for open space from the Ticonderoga Partners Project. The 92 acres of open space is surrounded by the Highlands Recreation District and is not included in County Service Area 1. The 92 Acres is also a significant view-scape for residences in County Service Area 1 located east of Polhemus Road.

We support the continued independence of the Highlands Recreation District and oppose annexation of the district into the City of San Mateo Because neither the interest of the residents of the Highland Recreation District nor the interests of the residents of the City of San Mateo would be served.

The primary issues relating to County Service Area 1, Crystal Springs County Sanitation District on the one hand and the City of San Mateo on the other hand is in maintenance, upkeep and capital improvements of the sewage transport system to and treatment by the sewage treatment facilities operated by the the City of San Mateo. Of primary concern currently is the anticipated cost and

payment of the cost of completion of the required renovation of trunk sewage line down Crystal Springs Canyon shared with the Town of Hillsborough that connects to the City of San Mateo's sewage system for transport to the treatment facility. Also the street mains collecting sewage from residences in the County Service Area 1/ Crystal Springs County Sanitation District are aged.

Otherwise the residents within County Service Area 1 seem well served currently by the mixture of services provided by the County, State and City of San Mateo and local efforts of the San Mateo Highland Community Association (HCA) and other homeowner groups within the County Service Area to assure those services.

We could support a merger of the current county-operated sewer system with city sewer system as a Subsidiary Sanitary/Sewage District of the City of San Mateo with the City as governing body and operator.

Very truly yours,
David E. Newhouse, Esq.
CA State Bar No. 54,217
USPTO Reg. No 24,911
Tel. No. (650) 348-8652
Fax. No. (650) 348-8655
Cell No. (650) 766-4494
Email: denewhouse@newhouse-associates.com
denewhouse@gmail.com
Web: www.attvcubed.com

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center, 2nd Fl.
Redwood City, CA 94063
650/363-4224
650/363-4849 (fax)



>>> <astridmarie@aol.com> 3/4/2013 4:00 PM >>>

Astrid M. Spencer
1644 Lexington Avenue
San Mateo, CA 94402
March 4, 2013

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center
Redwood City, CA 94063

Re: Sphere of Influence - Highlands Recreation District and unincorporated Highlands neighborhood

Dear Ms. Poyatos:

Thank you for making yourself available to speak to our community at the most recent workshop held on February 20th.

My family has lived in the Highlands since 2007. What originally drew us to the neighborhood was Highlands Elementary School. Now we are raising our four children in what we have discovered to be a very unique and supportive community. The Highlands community is a close-knit and involved group of residents. It is not an accident that neighbors share a sense of responsibility and commitment to others here. Neighbors become involved in their community because we can make an impact on the area in which we live.

Currently, communication with our Highlands Community Association and the HRD Board is accessible with an immediacy not found in other neighborhoods. We know the individuals that provide services in our area and have, as a result, formed relationships lacking in other communities. I was never particularly involved with community affairs, but because this neighborhood invests so much, people such as myself, are similarly inspired to become an involved and active participant in local issues.

After having read through the LAFCo report and attending the workshop in February, I was eager to hear the recommendation by LAFCo to the City of San Mateo in regards to updating the Sphere of Influence designation for the HRD and unincorporated Highlands. I think that the report that you shared with us accurately captures some of the key issues and concerns of the Highlands residents, such as:

- Investment in infrastructure
- Access to public services
- Current issues with sewer services and associated costs
- Maintaining the general character and integrity of the Highlands, including open space

Realistic challenges faced by the City of San Mateo were also well documented. In my opinion, however, the option to annex the HRD and Highlands neighborhood does not adequately address my concerns, and therefore I do not support annexation as a viable nor advantageous outcome for our community.

While I would very much like to see investment in infrastructure for our area, given the current budget issues faced by the city, what guarantee do we have that annexing our neighborhood would result in additional funding and investment for infrastructure?

Additionally, our current access to the Sheriff and other emergency services is excellent, better than many cities, I would argue. There is no support or justification showing that annexation would improve current response times in any meaningful way. I actually fear that annexation would negatively impact the current level of service we enjoy.

Most of us agree that our sewer fees are too high and that much could be done to make current sewer function and services more efficient or cost effective. However, as noted in your report, that issue is currently under review by the City and the County of San Mateo. I think it is premature to make any recommendation in this regard without the benefit of the results of this study. If, after the report has been completed, there is an effective solution proposed, such as creating a subsidiary sanitary district, then I would possibly support such as measure. Annexation, however, is not required to accomplish this. Proposing any solution without the benefit of this study seems inappropriate.

As for the issue of maintaining open space and the character of our community, this neighborhood has by and large fought for open space for the last two decades. Additionally, zoning laws to restrict development or alteration of original Eichler homes is an area of much debate here. Regardless of my personal opinion on current zoning laws, I do not feel that annexation provides meaningful change to the existing rules, nor does it provide clarity of how such rules would apply going forward.

Based on my areas of concern for the neighborhood and the level of impact that

annexation might have, I support the district status quo as it applies to the sphere of influence for the HRD and Highlands. In other words, no annexation, please!

While the LAFCo report captures some very real issues for our neighborhood, there is no analysis that supports the recommendation to annex neither the HRD nor the Highlands. As such, it is impossible to make an informed decision that annexation is feasible or even a desirable solution to address the concerns of the Highlands residents. While the City considers resource sharing and cost cutting measures, there is no advantage to the Highlands in being annexed, if there is no analysis in terms of potential cost savings for the residents, no review of impact to services, nor infrastructure improvement proposals that can be considered simultaneously. It seems to me, pending results of current sewer study that is underway, annexation is a proposal that lacks any merit, and is purely supposition. As you state in your report, potential advantages to the city include increased property taxes and other revenues with the potential to create economies of scale and sustainable sewer rates. In my opinion, annexation virtually guarantees a broader revenue base for the City without any assurance of cost savings for the Highlands resident.

So, not only is there little evidence based financial advantage to the residents here, annexation would fundamentally change the character of our locally governed neighborhood. Respectfully, I ask that the Commission recommend that both the HRD and the Highlands Sphere of Influence designation remain unchanged.

Thank you for your consideration.

Sincerely,

Astrid Spencer
Highlands Resident since 2007

Cc: Brigitte Shearer, Highlands Recreation District – General Manager
Don Horsely – Chairman
Dave Pine – Supervisor

The Highlands **lowdown**

February 2013

The Highlands Community Association Newsletter

Volume 59, Number 2

www.highlandscommunity.org

Taxpayer Alert: State Agency (LAFCo) Proposes Area Police, Fire, Sanitation and Highlands Recreation Districts Be Moved to Cash-Strapped City of San Mateo

The Local Agency Formation Commission (LAFCo) <http://www.co.sanmateo.ca.us/portal/site/lafco> is a state-mandated, independent agency with county-wide jurisdiction over changes in organization and boundaries of cities and special districts, including annexations, detachments, incorporations and formations. Its responsibilities also include "to establish and periodically update spheres of influence--future boundary, organization, and service plans--for the county's cities and special districts."

LAFCo executive officer Martha Poyatos sent a report dated February 4, 2013 to area community associations recommending annexation of our special districts into budget-challenged City of San Mateo. She has called a meeting to deliver the report to area communities on Wednesday, February 20, at 7 p.m. in the Highlands Elementary School LGI room.

In December 2012, County Service Area Number

One (CSA 1) communities of our area (Highlands-Baywood-Oaks) officially notified the San Mateo County Board of Supervisors that LAFCo has shown a pattern of writing inadequately analyzed reports about our area community services. To date, the LAFCo office has ignored our specific written requests to follow due process for involvement of area communities, including advance notice and information to every taxpayer.

All of our neighbors need to attend this meeting to learn more about this effort that would irreversibly change the services we pay taxes for and our community's quality of life. Keep taxpayer demand for government accountability strong. Help maximize services and minimize taxes.

Please attend the meeting so we may preserve our county sanitation, police, fire, and Highlands recreation Districts.

Your Attendance is Critical!

**Highlands Recreation District
Baywood Plaza Community Association
Baywood Park Homeowners Association**

Invite Your Neighbors!

**Highlands Community Association
Polhemus Heights Homeowners Association
San Mateo Oaks Homeowners Association**

HRD Meeting

Tuesday, March 12, 7 p.m.
Multipurpose Room

***lowdown* Deadline**

Friday, March 1

HCA Meeting

Tuesday, February 26, 7:30 p.m.
Multipurpose Room

From: Mario Siguenza <siguenza1@gmail.com>
To: "mpoyatos@smcgov.org, dhorsley@smcgov.org, dpine@smcgov.org" <mpoyatos@s...>
CC: "watertankhill@yahoo.com" <watertankhill@yahoo.com>
Date: 3/13/2013 9:45 PM
Subject: NO ON ANNEXATION FOR SAN MATEO HIGHLANDS

>>

>>

>> Dear Martha Poyatos, Dave Pine and Dave Horsley,

>>

>> I am a Highlands resident since 2002. This neighborhood needs to remain independent, and stay as it is.

>>

>> I DO NOT SUPPORT the Lafco report to annex the HIGHLANDS. The Recreation Center in our neighborhood is a special place. A place built up and supported by the residents in this neighborhood for over 50 years. It is unthinkable that the city jump in and take claim on this community treasure through annexation or any other means.

>>

>> Thank you for your time and consideration.

>>

>> Sincerely,

>>

>> Mario Siguenza

>> 2252 Allegheny Way

>>

>> 650-520-5931

>

Martha Poyatos - LAFCo Feedback

From: Dennis Shiao <dshiao@yahoo.com>
To: "mpoyatos@smcgov.org" <mpoyatos@smcgov.org>, "dhorsley@smcgov.org" <dhor...>
Date: 3/11/2013 2:54 PM
Subject: LAFCo Feedback
CC: "dpine@smcgov.org" <dpine@smcgov.org>, "watertankhill@yahoo.com" <watert...>

Dear Ms. Poyatos and Mr. Horsley,

I've read the LAFCo reports and attended the information session in the LGI a few weeks ago. I wish my service district and Highlands Rec District to remain as it is.

I DO NOT SUPPORT any recommendation to annex the HIGHLANDS.

I wish the Highlands Rec Center to remain an independent special district even if there is ever annexation in the future of other service districts (which overlap with the Rec District).

Thanks for hearing my input.

Sincerely,
Dennis Shiao
1484 Forge Road
650-393-5238 (home)
917-903-8764 (cell)
dshiao@yahoo.com

From: Diane Shew <diane@shew.biz>
To: <dhorsley@smcgov.org>, <mpoyatos@smcgov.org>, <dpine@smcgov.org>
CC: <watertankhill@yahoo.com>
Date: 3/13/2013 8:54 PM
Subject: LAFCO--Highlands 2013

Dear Martha Poyatos, Dave Pine and Dave Horsley,

I am a HIGHLANDS RESIDENT. I wish my service district and Highlands Rec District to remain as it is.

I DO NOT SUPPORT Lafco report to annex the HIGHLANDS.

I wish the Highlands Rec Center to remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Rec District.

Sincerely,

Diane Shew
5 Stoney Point Place
San Mateo, CA 94402
415-717-9321

Martha Poyatos - LAFCO--Highlands 2013

From: Eric Russell <russell.eric.e@gmail.com>
To: <mpoyatos@smcgov.org>, <dpine@smcgov.org>, <dhorsley@smcgov.org>, <water...>
Date: 3/11/2013 2:10 PM
Subject: LAFCO--Highlands 2013

Dear Martha Poyatos, Don Pine and Dave Horsley,

I am a HIGHLANDS RESIDENT. I wish my service district and Highlands Recreation District to remain as it is.

I DO NOT SUPPORT the LAFCO report to annex the HIGHLANDS.

I wish the Highlands Recreation Center to remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Rec District.

Regards.

Eric Russell

Martha Poyatos - CSA1 Meeting PWorks

From: Gerard Ozanne <ozannej@anesthesia.ucsf.edu>
To: Jim Porter <jporter@co.sanmateo.ca.us>
Date: 2/27/2013 7:50 PM
Subject: CSA1 Meeting PWorks
CC: Palter Alan <alan.palter@varian.com>, Youssefi John
<John_youssefi@yahoo...>
Attachments: DPW CSSD re City of San Mateo.pdf

Hi Jim,

We thank you and your staff for meeting with CSA1 representatives to discuss the current status of our Sanitation District with respect to LAFCo analyses. We look forward to further discussions as soon as the County of San Mateo Public Works and City of San Mateo Pubic Works Departments receive the feasibility study of consolidating CSCSD and the City's sewer systems.

I have attached a letter from CSA1 representatives summarizing our understanding of the insufficient knowledge base with respect to annexation of the CSA1 Sanitation District into the City of San Mateo sewer system.

Thank you for all your help,

Jerry Ozanne

SAN MATEO COUNTY SERVICE AREA NUMBER ONE COMMUNITY ASSOCIATIONS

February 22, 2013

Jim Porter, Director
San Mateo County Department of Public Works
555 County Center
Redwood City, CA 94063

RE: Crystal Springs County Sanitation District

Dear Jim

Thank you very much for meeting with us February 11, 2013.

We learned from this update with you that any detailed consideration of Crystal Springs County Sanitation District (CSCSD) tax changes is a long way off. As far as Department of Public Works is concerned the LAFCo office has no specific information that would support the Local Area Formation Commission making any recommendations regarding annexation of our sanitation district services at this time.

We look forward to our next meeting with you.

Sincerely

Jerry Ozanne, Baywood Park Homeowners Association

Alan Palter, Baywood Plaza Homeowners Association

Rick Priola, President Highlands Community Association

John Youssefi, Polhemus Heights Homeowners Association

Hal Kuehn, San Mateo Oaks Homeowners Association

cc: The Honorable Dave Pine, Supervisor District One
The Honorable Don Horsley, President San Mateo County Board of Supervisors

Martha Poyatos - Highlands LAFCO

From: Melissa Wilson <m@wilsonstuart.com>
To: <mpoyatos@smcgov.org>, <dhorsley@smcgov.org>
Date: 3/10/2013 9:48 PM
Subject: Highlands LAFCO
CC: <dpine@smcgov.org>, <watertankhill@yahoo.com>

To the LAFCO Committee:

I do not want a change in governance of the neighborhood or the Rec Center.

I participate in the city of San Mateo's community programming at the Senior Center. For at least 2 years, the center staff has felt fiscally insecure and has been squeezing programs to meet a diminished budget. The head of the center days that it may be closed by San Mateo because of money. As a result, they have issued (optional) identity cards that we have to "swipe in" upon arrival so they can demonstrate that people are using the facility. In addition, my group which meets there has to take roll and submit numbers to the center. I would hate the Rec District to have this mode of operation.

I urge the Highlands to remain as an independent entity. I also request that the Highlands Rec Center remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Rec District. My response to LAFCO's options, especially in regard to the Rec Center, is "don't break what isn't broken".

Melissa Wilson
1976 Ticonderoga Drive
San Mateo, CA 94402
650-345-4304
m@wilsonstuart.com

Martha Poyatos - Please do NOT annex the highlands!

From: Chad Williams <chadwill@microsoft.com>
To: "mpoyatos@smcgov.org" <mpoyatos@smcgov.org>, "dpine@smcgov.org" <dpine@s...>
Date: 3/13/2013 9:09 PM
Subject: Please do NOT annex the highlands!
CC: "watertankhill@yahoo.com" <watertankhill@yahoo.com>, "srwilliams@stanfor..."

Dear Martha Poyatos, Dave Pine and Dave Horsley,

We are HIGHLANDS RESIDENTS. We strongly desire our service district and Highlands Rec District to remain as it is.

We DO NOT SUPPORT the Lafco report to annex the HIGHLANDS.

We wish the Highlands Rec Center to remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Rec District.

Sincerely,
-Chad and Sarah Williams
1228 Laurel Hill Dr.
San Mateo

Martha Poyatos - LAFCO--Highlands 2013

From: etienne vick <etiennevick@yahoo.com>
To: <mpoyatos@smcgov.org>, <dpine@smcgov.org>, <dhorsley@smcgov.org>, <water...>
Date: 3/11/2013 12:00 PM
Subject: LAFCO--Highlands 2013

Dear Martha Poyatos, Dave Pine and Dave Horsley,

I am a HIGHLANDS RESIDENT. I wish my service district and Highlands Rec District to remain as it is.

I DO NOT SUPPORT Lafco report to annex the HIGHLANDS.

I wish the Highlands Rec Center to remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Rec District.

Sincerely,

Etienne VICK
1790 Monticello Road,
SAN MATEO, CA 94402
650-888-0779

LAFCo Executive Director Martha Poyatos: mpoyatos@smcgov.org
Chairman Don Horsley: dhorsley@smcgov.org;
also copy Supervisor Dave Pine: dpine@smcgov.org
and copy Our own CSA1 resident compiling residents comments:
watertankhill@yahoo.com

Martha Poyatos - Highlands Status Quo Works Great

From: Monika Peschke <monikapeschke@hotmail.com>
To: "mpoyatos@smcgov.org" <mpoyatos@smcgov.org>, "dpine@smcgov.org" <dpine@s...>
Date: 3/11/2013 2:01 PM
Subject: Highlands Status Quo Works Great

Dear Martha Poyatos, Dave Pine and Dave Horsley,

I have been a Highlands resident for many years. I would like my service district and Highlands Rec District to remain as it is.

I DO NOT SUPPORT the Lafco report to annex the Highlands.

The Highlands Rec Center is strong and well managed, and should remain an independent special district, even if there is ever annexation in the future of other service districts which overlap with the Rec District.

Sincerely,

Monika Peschke
10 White Plains Ct
San Mateo

Liesje Nicolas
1896 Lexington Ave
San Mateo, CA 94402

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center
Redwood City, CA 94063

December 12, 2012

Re: LAFCo Service Review & Sphere of Influence report, Highlands Rec District Nov 2012

Dear LAFCo Officers and County Supervisors,

Residents of CSA1 and the HCA appreciate your deferral of LAFCo reports until our area community associations are given an opportunity to be a part of the information gathering and assessment for the report.

I am a resident of the Highlands and Co-VP of the Highlands Community Association. I am born and raised in the Highlands and now raising a family of my own here. I ask that you recommend the Highlands Recreation District to remain an Independent Special District with no changes to management, and no annexation to the city. I support your report option of Status Quo, but do *not* support the recommendation of annexation of the Highlands to the city.

The Highlands Recreation District was created *by* Highlands residents, *for* the Highlands residents, and has successfully managed itself for 55 years now. We do not want to be annexed to the city of San Mateo in any way. No matter how LAFCo reports phrase it -annexation, subsidiary or "in the sphere of influence" we do not want your recommendation to annex *any* of our services to the city of San Mateo. The Unincorporated County Service Area 1 has managed our services efficiently and built up reserves.

The purpose of the LAFCo "Municipal Service Review And Sphere of Influence" Report appears to have been created many many years ago, to help "disadvantaged unincorporated areas", but it is not accurate in this current day to support annexation of the Highlands to the city. The Highlands is definitely *not* a disadvantaged unincorporated area. I respectfully request that the Highlands be taken out of the city of San Mateo's Sphere of Influence and LAFCo stop contracting with the County to create reports about annexing the Highlands' services. The Highlands does not even border on the city of San Mateo. CSA1 neighborhoods do. Highlands does not. Isn't it about time to report that The Highlands has successfully been unincorporated for 55 years now, and does not want to be in the city of San Mateo?

I am part of the "young family" generation in the Highlands, and as so, can tell you we spend over a million dollars to buy our houses here, because of the location, away from the city in the beautiful open green space. We want the quiet, tight knit community that we have in our little island on our hilltop. The Highlands Community Association members have historically engaged actively with our Special District Service Providers. We value the relationships that have been built by Highlanders before us, with our service providers and our County Supervisors and we will do all we can to continue those relationships.

Thank you,
Liesje Nicolas, HCA Co-1st VP.

Liesjenicolas@gmail.com

Martha Poyatos - LAFCO - Highlands 2013

From: "Gretchen Michaels" <michaelsgretchen@gmail.com>
To: <mpoyatos@smcgov.org>, <dpine@smcgov.org>, <dhorsley@smcgov.org>, <water...>
Date: 3/11/2013 1:48 PM
Subject: LAFCO - Highlands 2013

Dear Martha Poyatos, Dave Pine and Don Horsley,

I am a Highlands resident. I wish my service district and Highlands Rec District to remain as it stands today.

I DO NOT SUPPORT the LAFCO report to annex The Highlands.

I wish the Highlands Rec Center to remain an independent special district even if there is ever annexation in the future of other service districts which overlap with the Highlands Rec District.

Sincerely,

Gretchen Michaels
2219 Allegheny Way
San Mateo, CA 94402
650.393.5793

/g



Gretchen Michaels
www.artbygretchen.net
425.318.2395

v.5.21.2012

Martha Poyatos - Highlands/CSA1 District: We do not support LAFCo's report!

From: val margolin <valmargolin@gmail.com>
To: <mpoyatos@smcgov.org>
Date: 3/8/2013 5:03 PM
Subject: Highlands/CSA1 District: We do not support LAFCo's report!

Dear LAFCo,

I wish my Service Districts and Highlands Recreation District to remain as is. I do not support LAFCo's report to annex them.

We urge you to consider the voices of our community.

Thank you,

Valerie & Benjamin Margolin

Highlands Homeowners

Martha Poyatos - Highlands Recreation District

From: Mike Humphrey <mikenhumphrey@gmail.com>
To: <mpoyatos@smcgov.org>
Date: 3/6/2013 12:42 PM
Subject: Highlands Recreation District
CC: <bridgettes@highlandsrec.ca.gov>, Mike Humphrey
<mikenhumphrey@gmail.com>

Please forward this to Ms. Linda Craig, Chair LAFCO.

I'm a 32-year resident of the Highlands and my wife, Lila, has lived here for 42 years. We feel strongly that that LAFCO should maintain our District's status-quo sphere of influence, so that HRD, the Highlands Recreation District, remains as a separate independent district.

We want our wonderful community center to remain the heart of our neighborhood, as it has been for more than 50 years. Not only recreational, it offers a place for students to do homework and to take enrichment classes. Several holidays are celebrated at HRD, including July 4, with a parade, complete with fire trucks, and several generations of Highlanders congregate, children to great-grandparents, to enjoy the festival. There are many other benefits. HRD management works very closely with our county fire department.

We invite and have many guests for these events. We feel strongly that the management and focus of the HRD should continue to be an independent entity in San Mateo County.

Thank you

Mike Humphrey

2075 Ticonderoga Dr
San Mateo, Ca 94402

650 678-4312

=====

Martha Poyatos - Meeting March 20, 2013

From: Carmela <cglasgow@pacbell.net>
To: <mpoyatos@smcgov.org>
Date: 3/8/2013 4:18 PM
Subject: Meeting March 20, 2013

Ms. Poyatos
LAFCO

We wish to be put on record that having lived in our home for the past 42 years we are very satisfied with our County-governed District.

We do not want to become annexed to the City of San Mateo or any other city. We wish everything to remain status quo. As the old saying goes, "If it ain't broke, don't fix it".

Thank you for your consideration.

Edwin and Carmela Glasgow
1597 Ascension Drive
San Mateo, CA 94402

(650) 574-2321

Martha Poyatos - Lafco Feb 20, 2013 meeting

From: Arline & Phil Dixon <dixon@pacbell.net>
To: <mpoyatos@co.sanmateo.ca.us>
Date: 3/8/2013 12:27 PM
Subject: Lafco Feb 20, 2013 meeting
CC: <dpine@smcgov.org>

Dear Ms Poyatos,

We were at the meeting and wanted to make our feelings known about the proposed annexations. We have been residents of the SM Highlands since 1969 and we have been homeowners at 1708 Monticello Rd since 1971. We like our community and, although we may need to pay extra for our sewer, we prefer to keep our community functioning as it has over the many years we have lived here. Please consider us as a NO response on the proposals set out at the meeting.

Thank you for hearing us,

Phillip and Arline Dixon

Martha Poyatos - Re: LAFCo study and Crystal Springs County Sanitation District

From: Bill Danigelis <bill.danigelis@me.com>
To: Martha Poyatos <mpoyatos@smcgov.org>
Date: 3/6/2013 2:56 PM
Subject: Re: LAFCo study and Crystal Springs County Sanitation District

Martha,
Thanks for your time today.
Bill

Bill Danigelis
650-867-3152

On Mar 06, 2013, at 02:46 PM, Martha Poyatos <mpoyatos@smcgov.org> wrote:

Dear Mr. Danigelis:

Thank you for your interest in the LAFCo studies regarding the Highlands/Baywood Park Unincorporated Area.

The following is a link to the County Public Works presentation on Crystal Spring County Sanitation District which has useful info about the District, rates, operations, etc.

<http://www.co.sanmateo.ca.us/publicworks/Divisions/Flood%20Control,%20Lighting,%20Sewer%20and%20Water/Sewer%20Services/Presentation042512CSCSD.pdf>

For the Commission hearing, I will include in my summary of comments received, your comments supporting annexation if it creates cost effective and efficient service (in particular sewer) and about needing better coordination between law enforcement agencies when there is a call for service on the boundary of the unincorporated area.

Thanks again,

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center, 2nd Fl.
Redwood City, CA 94063
650/363-4224
650/363-4849 (fax)

<IMAGE.gif>

Martha Poyatos - Community workshop Highlands 02/20/13

From: <WillardHC@aol.com>
To: <mpoyatos@smcgov.org>
Date: 2/19/2013 2:46 PM
Subject: Community workshop Highlands 02/20/13

Dear Martha Poyatos,

I am sending this to back up the e-mail I sent to you earlier to-day.

Bill Campbell

From: WillardHC@aol.com
To: dpine@smcgov.org
Sent: 2/18/2013 5:05:47 P.M. Pacific Standard Time
Subj: Fwd: Crystal springs county sanitation district.

Dave,

LAFCO are having a meeting at the HIGHLANDS SCHOOL 02/20/13.

They sent each property owner a memo.

In reading through it on page 34 I noticed that the county DPW and City of San Mateo PDW have initiated a feasibility study of consolidating CSCSD and the City's sewer systems into a subsidiary district of the City of San Mateo to create long term efficiencies and SAVINGS for rate payers of both systems.

If you are not already involved with this please get involved as soon as possible and keep me and all of the other rate payers advised of progress towards starting to reduce our sewer service charge.

Thank you,

Bill Campbell

From WillardHC@aol.com
To: dpine@smcgov.org
Sent: 2/7/2013 9:51:58 A.M. Pacific Standard Time
Subj: Fwd: Crystal springs county sanitation district.

Good morning Dave,

Following up and expecting:

progress,

new ideas,

this matter being high on your list of things to be resolved very soon!

Let me (and CSCSD) know what you are achieving.

Thank you,

Bill Campbell

From: WillardHC@aol.com
To: dpine@smcgov.org
Sent: 1/15/2013 4:56:53 P.M. Pacific Standard Time
Subj: Crystal springs county sanitation district.

Hi Dave,

Here we are in 2013!. The subject will be working on their next budget. We the rate payers AGAIN got stuck with a very large increase-which makes the gap between us and the surrounding cities even wider. This constantly increasing cost for sewer service has to stop and this cost needs to be reduced.

The last time we talked you mentioned talking with Carol Groom and City of San Mateo council members and staff to explore possibilities to solve this problem.

How far have you got?
Is LAFCO able to help?

What other ideas are you working on?
What else can be done?
What else can I or the rate payers in the subject district do?

Please give this problem your maximum creative attention now!

Thank you,

Bill Campbell

Martha Poyatos - Lafco review of Highlands

From: <WillardHC@aol.com>
To: <mpoyatos@smcgov.org>
Date: 3/4/2013 3:10 PM
Subject: Lafco review of Highlands

I am sending this to you again to bring my very strong concern over the constantly increasing cost of our sewer service rate to your attention and seek your full support in bringing our charge in line with the surrounding cities as soon as possible.

Willard H (Bill) Campbell

From: WillardHC@aol.com
To: mpoyatos@smcgov.org
Sent: 2/19/2013 2:35:28 P.M. Pacific Standard Time
Subj: Community workshop Highlands 02/20/13

As I am disabled I will be unable to attend.

My major concern is the exorbitant sewer service rate.

I have looked at your report. You are aware of our problem.

The feasibility study needs to be completed and worked out AS SOON AS POSSIBLE..

I have contacted Dave Pine our supervisor to seek his understanding and help in getting our sewer service rate reduced and brought in line with the cities which surround us.

I and I believe many of the homeowners in this district (especially those on fixed incomes) welcome your investigation and we trust it will lead to a fair and equitable resolution of this vexing problem very soon.

Willard H. (Bill) Campbell

Martha Poyatos - Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

From: <astridmarie@aol.com>
To: <mpoyatos@smcgov.org>
Date: 3/4/2013 4:56 PM
Subject: Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

Dear Ms. Poyatos,

Thank you for your reply. Thank you for your clarification, yes, I would prefer that the HRD remain an independent district regardless of whether the territory HRD serves is unincorporated or annexed to the City of San Mateo.

I also understand your point regarding annexation. It is my hope that those other options are thoughtfully reviewed and analyzed. Many of us feel strongly about the option of annexation, however, and we feel it is important that the commission is aware that this option is the least desirable and least feasible, in my opinion.

Kindest Regards,

Astrid Spencer

-----Original Message-----

From: Martha Poyatos <mpoyatos@smcgov.org>

To: astridmarie <astridmarie@aol.com>

Cc: Dave Pine <DPine@smcgov.org>; Don Horsley <DHORSLEY@smcgov.org>; brigittes <brigittes@highlandsrec.ca.gov>

Sent: Mon, Mar 4, 2013 4:43 pm

Subject: Re: Sphere of Influence : Highlands Recreation District and Highlands unincorporated neighborhood

Dear Ms. Spencer:

Thank you for your thoughtful comments on the LAFCo studies regarding HRD and the City of San Mateo and County-governed districts. Your e-mail will be included in the report to the Commission. Please note that as contained in the report on HRD, the sphere of influence for HRD adopted by the Commission in 1985 is that HRD become a subsidiary district of the City upon annexation of the territory served by the District. I interpret your comments to mean that you request amendment of the HRD sphere to be status quo so that it would remain an independent district regardless of whether the territory HRD serves is unincorporated or annexed to the City of San Mateo.

Also, I note that the report discusses alternatives for governance and is not intended to be a detailed analysis of annexation. Such an analysis would be initiated if there were demonstrated interest from the community and the City.

Again, on behalf of the Commission thank you for taking the time to comment on the reports. Your comments will be provided to the Commission.

Sincerely,

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center, 2nd Fl.
Redwood City, CA 94063
650/363-4224
650/363-4849 (fax)



>>> <astridmarie@aol.com> 3/4/2013 4:00 PM >>>

Astrid M. Spencer
1644 Lexington Avenue
San Mateo, CA 94402
March 4, 2013

Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center
Redwood City, CA 94063

Re: Sphere of Influence - Highlands Recreation District and unincorporated Highlands neighborhood

Dear Ms. Poyatos:

Thank you for making yourself available to speak to our community at the most recent workshop held on February 20th.

My family has lived in the Highlands since 2007. What originally drew us to the neighborhood was Highlands Elementary School. Now we are raising our four children in what we have discovered to be a very unique and supportive community. The Highlands community is a close-knit and involved group of residents. It is not an accident that neighbors share a sense of responsibility and commitment to others here. Neighbors become involved in their community because we can make an impact on the area in which we live.

Currently, communication with our Highlands Community Association and the HRD Board is accessible with an immediacy not found in other neighborhoods. We know the individuals that provide services in our area and have, as a result, formed relationships lacking in other communities. I was never particularly involved with community affairs, but because this neighborhood invests so much, people such as myself, are similarly inspired to become an involved and active participant in local issues.

After having read through the LAFCo report and attending the workshop in February, I was eager to hear the recommendation by LAFCo to the City of San Mateo in regards to updating the Sphere of Influence designation for the HRD and unincorporated Highlands. I think that the report that you shared with us accurately captures some of the key issues and concerns of the Highlands residents, such as:

- Investment in infrastructure
- Access to public services
- Current issues with sewer services and associated costs
- Maintaining the general character and integrity of the Highlands, including open space

Realistic challenges faced by the City of San Mateo were also well documented. In my opinion, however, the option to annex the HRD and Highlands neighborhood does not adequately address my concerns, and therefore I do not support annexation as a viable nor advantageous outcome for our community.

While I would very much like to see investment in infrastructure for our area, given the current budget issues faced by the city, what guarantee do we have that annexing our neighborhood would result in additional funding and investment for infrastructure?

Additionally, our current access to the Sheriff and other emergency services is excellent, better than many cities, I would argue. There is no support or justification showing that annexation would improve current response times in any meaningful way. I actually fear that annexation would negatively impact the current level of service we enjoy.

Most of us agree that our sewer fees are too high and that much could be done to make current sewer function and services more efficient or cost effective. However, as noted in your report, that issue is currently under review by the City and the County of San Mateo. I think it is premature to make any recommendation in this regard without the benefit of the results of this study. If, after the report has been completed, there is an effective solution proposed, such as creating a subsidiary sanitary district, then I would possibly support such as measure. Annexation, however, is not required to accomplish this. Proposing any solution without the benefit of this study seems inappropriate.

As for the issue of maintaining open space and the character of our community, this neighborhood has by and large fought for open space for the last two decades. Additionally, zoning laws to restrict development or alteration of original Eichler homes is an area of much debate here. Regardless of my personal opinion on current zoning laws, I do not feel that annexation provides meaningful change to the existing rules, nor does it provide clarity of how such rules would apply going forward.

Based on my areas of concern for the neighborhood and the level of impact that

annexation might have, I support the district status quo as it applies to the sphere of influence for the HRD and Highlands. In other words, no annexation, please!

While the LAFCo report captures some very real issues for our neighborhood, there is no analysis that supports the recommendation to annex neither the HRD nor the Highlands. As such, it is impossible to make an informed decision that annexation is feasible or even a desirable solution to address the concerns of the Highlands residents. While the City considers resource sharing and cost cutting measures, there is no advantage to the Highlands in being annexed, if there is no analysis in terms of potential cost savings for the residents, no review of impact to services, nor infrastructure improvement proposals that can be considered simultaneously. It seems to me, pending results of current sewer study that is underway, annexation is a proposal that lacks any merit, and is purely supposition. As you state in your report, potential advantages to the city include increased property taxes and other revenues with the potential to create economies of scale and sustainable sewer rates. In my opinion, annexation virtually guarantees a broader revenue base for the City without any assurance of cost savings for the Highlands resident.

So, not only is there little evidence based financial advantage to the residents here, annexation would fundamentally change the character of our locally governed neighborhood. Respectfully, I ask that the Commission recommend that both the HRD and the Highlands Sphere of Influence designation remain unchanged.

Thank you for your consideration.

Sincerely,

Astrid Spencer
Highlands Resident since 2007

Cc: Brigitte Shearer, Highlands Recreation District – General Manager
Don Horsely – Chairman
Dave Pine – Supervisor

From: Vicki Grey <vgrey@sbcglobal.net>
To: "mpoyatos@smcgov.org" <mpoyatos@smcgov.org>, "dhorsley@smcgov.org" <dhor...>
CC: "dpine@smcgov.org" <dpine@smcgov.org>
Date: 3/8/2013 11:37 PM
Subject: Fwd: LAFCO Highlands rec district

> Dear LAFCo,

> I wish Highlands Recreation District to remain as is. I do not support LAFCo's report to annex.

> Regards,
> Victoria Grey
>

Martha Poyatos - Mar. 20, 2013 LAFCo Hearing re San Mateo County Service Area No.1; Crystal Springs County Sanitation District, Highlands Recreation District, City of San Mateo and San Mateo County

From: "David E. Newhouse" <denewhouse@newhouse-associates.com>
To: <mpoyatos@smcgov.org>, <dpine@smcgov.org>, <dhorsley@smcgov.org>, <water...>
Date: 3/12/2013 3:42 PM
Subject: Mar. 20, 2013 LAFCo Hearing re San Mateo County Service Area No.1; Crystal Springs County Sanitation District, Highlands Recreation District, City of San Mateo and San Mateo County
CC: Nextdoor The Highlands <reply@nextdoor.com>

NEWHOUSE & ASSOCIATES
 Twin Oaks Office Plaza Suite 112
 477 Ninth Ave.
 San Mateo, CA 94402-1858

Federal Tax ID No 94-2239932

David E. Newhouse, Esq.
 Reg. Patent Attorney No. 24,911
 CA State Bar No. 54,217

Tel. No. (650) 348-8652
 Fax. No. (650) 348-8655
 Email: denewhouse@newhouse-associates.com

March 12, 2013

Dear San Mateo LAF Commission:

My wife Yvonne Newhouse and I resided at 1516 Tarrytown Street within the County Service Area No. 1.

The published Hearing Notice specifies consideration of:

- 1) the Sphere of Influence of the Highlands Recreation District, and
- 2) City of San Mateo, County Service Area 1, Crystal Springs County Sanitation District and related County-governed Districts.

The primary issue relating to the Highlands Recreation District is the dedication and governance of the 92 acres of open space as a component of an 11 home subdivision. Offer of transfer and annexation would analyze costs and district resources associated with maintenance of these lands. To this end, the District's 2012-13 Adopted Budget includes a goal of continuing to work toward acceptance of donation of the lands dedicated for open space from the Ticonderoga Partners Project. The 92 acres of open space is surrounded by the Highlands Recreation District and is not included in County Service Area 1. The 92 Acres is also a significant view-scape for residences in County Service Area 1 located east of Polhemus Road.

We support the continued independence of the Highlands Recreation District and oppose annexation of the district into the City of San Mateo Because neither the interest of the residents of the Highland Recreation District nor the interests of the residents of the City of San Mateo would be served.

The primary issues relating to County Service Area 1, Crystal Springs County Sanitation District on the one hand and the City of San Mateo on the other hand is in maintenance, upkeep and capital improvements of the sewage transport system to and treatment by the sewage treatment facilities operated by the the City of San Mateo. Of primary concern currently is the anticipated cost and

payment of the cost of completion of the required renovation of trunk sewage line down Crystal Springs Canyon shared with the Town of Hillsborough that connects to the City of San Mateo's sewage system for transport to the treatment facility. Also the street mains collecting sewage from residences in the County Service Area 1/ Crystal Springs County Sanitation District are aged.

Otherwise the residents within County Service Area 1 seem well served currently by the mixture of services provided by the County, State and City of San Mateo and local efforts of the San Mateo Highland Community Association (HCA) and other homeowner groups within the County Service Area to assure those services.

We could support a merger of the current county-operated sewer system with city sewer system as a Subsidiary Sanitary/Sewage District of the City of San Mateo with the City as governing body and operator.

Very truly yours,
David E. Newhouse, Esq.
CA State Bar No. 54,217
USPTO Reg. No 24,911
Tel. No. (650) 348-8652
Fax. No. (650) 348-8655
Cell No. (650) 766-4494
Email: denewhouse@newhouse-associates.com
denewhouse@gmail.com
Web: www.attvcubed.com

The following profile includes information from the City of San Mateo's website.

City of San Mateo

330 West 20th Avenue
San Mateo, CA 94403

Susan Loftus
City Manager
650/522-7000
650/522-7001/fax
www.cityofsanmateo.org

Date of Incorporation: September 4, 1894

- a. City Council: Five-member council elected to four-year terms
Membership and Term Expiration Date: Brandt Grotte (11/2013), David Lim, Mayor, (11/2013), Maureen Freschet (11/2015), Jack Mathews (11/2015), Robert Ross, Deputy Mayor (11/2013)
- b. Compensation: Salary of \$601.46 per month and monthly health benefits that vary based on type of coverage: \$0 for no coverage, \$326.10 per month for single health plan, \$763.30 for family health plan
- c. Public Meetings: First and third Mondays per month at 7:00 p.m.
City Council Chambers, 330 West 20th Avenue, San Mateo

Services Provided: Administration, police, fire, community development, recreational services, sewer and storm drain, treatment plant, street maintenance, streetlights and drainage

Area Served: 14.7 square miles

Population: 97,207 (Census 2010)

Number of Personnel (city-wide) 631.84 (Full-time equivalent): 5 City Council, 4.29 City Manager, 3.06 City Clerk, 4.52 City Attorney, 162.45 Police, 100.03 Fire, 121.66 Public Works, 15.4 Business Services, 16.37 Information Technology, 9.19 Human Resources, 31.52 Community Development, 109.98 Parks and Recreation, 48.37 Library.

School Districts: San Mateo-Foster City Elementary School District, San Mateo Union High School District, San Mateo County Community College District

Sphere of Influence: Boundaries of 1984, plus Highlands/Baywood Park/Baywood Plaza and the Peninsula Golf Club

Budget: See City of San Mateo Website or Budget table contained in this report