

**Municipal Service Review And Sphere of Influence Update
Highlands Recreation District
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, 2013.¹ 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.

Based on information in the report and comments received from the Highlands Recreation District, residents, the County of San Mateo and the City of San Mateo, recommended determinations and a sphere recommendation have been prepared. Recommended municipal service review determinations are found on pages 18-21, sphere determinations are found on page 23 and the recommendation to amend the Highland Recreation District sphere of influence to be that of an independent district regardless of whether the area remains unincorporated or annexed to the City of San Mateo with sphere boundaries either coterminous with current boundaries or to include the Ticonderoga Open Space lands is found on pages 23 and 24.

Section 1: Overview

This report is a municipal service review and sphere of influence update for the Highlands Recreation District, an independent special district providing park and recreation service to a portion of the unincorporated Highlands/Baywood Park/Baywood Plaza Community in the sphere of influence of the City of San Mateo. Government Code Section 56430 requires that LAFCo complete municipal service and sphere of influence reviews on all cities and special districts. ***This report does not represent an annexation or organizational change proposal. Discussion of governance alternatives including annexation is required as part of a municipal service review.***

¹ ***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.***

A sphere of influence is a plan for the boundaries of a city or special district. The Highlands Recreation District's existing sphere of influence, adopted by the San Mateo Lafco Commission in 1985 and reaffirmed regularly since, is coterminous with District boundaries with a recommendation that the District become a subsidiary district of the City of San Mateo upon annexation of the Highlands area to the City. The municipal service review is not a proposal for reorganization of agencies, in this instance the Highlands Recreation District, rather a State-mandated study of service provision in regard to the following seven areas of determination as set forth in Government Code Section 56430:

- Growth and population projections for the affected area
- The location and characteristics of any disadvantaged unincorporated communities² 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 influence³
- 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 Code Section 56425. The sphere of influence, which serves as the plan for boundaries of a city or district, 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 **and what governance models should be for existing districts**. This State-mandated study is intended to identify challenges and opportunities and provides an opportunity for the public and affected agencies to comment on district service, finances, and opportunities to share resources prior to LAFCo adoption of required determinations.

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, consolidations, formations and dissolutions. Among the purposes of the commission are discouraging urban sprawl, preserving open-space and prime agricultural lands,

² "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

³ Language in Italics was added by amendments chaptered and effective November 2011.

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 appointed by the mayors of city councils of the twenty cities, two board members appointed by the presidents of the twenty-two independent special districts, a public member appointed by county, city and special district members, and four alternate members (county, city, special district and public). LAFCo adopts a budget independently 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. Pursuant to State law, 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 countywide independent special districts, followed by south county cities and special districts. A comprehensive, consultant-prepared 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.

Municipal Service Review/Sphere of Influence Update (MSR/SOI):

This MSR/SOI Update examines the Highlands Recreation District (HRD). MSR/SOI updates are also being prepared for the City of San Mateo, and County-governed districts that serve unincorporated areas in the City of San Mateo sphere of influence.

LAFCo prepares the MSR/SOI 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. This final MSR/SOI 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 Highlands Recreation District (HRD) include the following:

1. HRD provides park and recreation programs in district boundaries funded primarily by recreation fees and approximately 10% of the 1% property tax⁴ collected in district boundaries. The next nearest active park and recreation programs that vary from those of the District are located in the City of San Mateo and at the College of San Mateo. The County of San Mateo operates a regional park system.
2. As a single purpose special district providing park and recreation service in an area with stable assessed values with funding from property tax and fee revenue, HRD is relatively insulated from the economic downturn and State shifts of local government revenue compared to the County and cities, or districts providing a broader set of services and with total assessed valuation that is more susceptible to fluctuation.
3. HRD serves ***the Highlands neighborhood, which is*** a portion of the larger unincorporated Highlands/Baywood Park/Baywood Plaza area that receives a variety of services from the County including: enhanced police and fire protection by inclusion in County Service Area No. 1 funded by approximately 26% of the 1% property tax and a special parcel tax of \$65 per parcel annually; a County-governed sewer district funded with property tax and primarily user fees and a variety of small lighting and drainage districts funded with property tax. Budgets of each of these districts are distinct and segregated from each other. The HRD does not receive funding from these Districts.

⁴ Before ERAF (Educational Revenue Augmentation Fund), 1992 State enacted legislation in which property tax from cities and special districts is shifted to local schools as a State budget balancing tool. The District's Budget reflects the net amount of property tax received by the District after ERAF shifts.

4. ***The District's fee schedule recognizes the property tax contribution from residential parcels within District boundaries and registration policies give Highlands Recreation District residents registration priority.***
5. ***Non-residents of the District pay a non-resident differential and as noted in the report and by the District, non-residents of the City of San Mateo pay non-resident recreation fees.***
6. 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, parks and public works services to achieve efficiencies and economies of scale.
7. The District leverages resources through collaboration with the Highlands Community Association, Highlands Senior Network, CalFire, Sheriff's Activities League, Highlands School and Crystal Springs United Methodist Church.
8. The Board of Directors of the District has elected not to receive salary or benefits in compensation for their service as board members and serve as volunteers.
9. An opportunity exists for the District to expand open space assets by acquiring approximately 92 acres of land adjacent to District boundaries and surrounded by the Highlands/Baywood Park/Baywood Plaza resulting from approval of development of 11 residential parcels discussed below. These lands offer local and not regional benefit. Consideration of acquisition would include the cost to the District and whether lands would be open to the public or maintained as open space buffer and view shed.
10. The District's 2012-13 Budget cites various goals for this fiscal year including upgrading technology and the District's website and printed materials, improving District policy documentation and manuals and improving financial reporting. Sections of this report include observations about Board meetings, agenda, minutes and budget adoption that may assist the District in this effort.
11. An alternative to service delivery by special districts for this unincorporated area includes annexation to the adjacent City of San Mateo, which provides active park and recreation and municipal level of police and fire protection funded with a broad base of general purpose revenues and park and recreation fees. Annexation would not legally require any change in governance to the District
12. ***The District, homeowners associations and residents of the study area have indicated strong support for District services and continued independence of the District and strong opposition to annexation of the Highlands/Baywood Park/Baywood Plaza to the City of San Mateo.***
13. ***The City of San Mateo has indicated there is no apparent benefit to the City being successor to the District as a subsidiary district.***

Section 3: Highlands Recreation District

Highlands Recreation District (District) is an independent community services district governed by a five-member board elected by voters of the District. The District was formed in 1957

pursuant to Government Code Section 61000⁵ as a financing vehicle for construction of a recreation center with swimming pool and tennis courts. The District operates a recreation center located on 3.45 acres at 1851 Lexington Avenue in the unincorporated Highlands neighborhood and maintains 41 acres of open space nearby. (Please see Attachment A for map). The recreation center includes a swimming pool, baby pool, three tennis courts, a playground, outdoor basketball/sports court, locker rooms and storage, lifeguard office and storage, fitness center, three-quarter size basketball gym, full kitchen, men and women restrooms, storage room, 670 square foot office and restroom, social room and newly constructed licensed early education center, age appropriate playground, ADA accessible registration office and community room with kitchenette.

The District includes approximately 789 residential parcels comprising the unincorporated Highlands neighborhood or a little over half of the residential parcels located in the larger unincorporated area in the sphere of influence of the City of San Mateo.⁶ The larger unincorporated area of which all is included in the Crystal Springs County Sanitation District has a total of 1,471 parcels and also includes adjacent Baywood Park and Baywood Plaza.⁷ ***The District's March 11 comments emphasize the distinction between the place name "Highlands" versus the larger unincorporated area that includes Highlands/Baywood Park/Baywood Plaza which is also explained in footnote 8.***⁸

As noted in the District budget, the District conducts programs that provide individuals with opportunities to improve their health and fitness, continue life-long learning, enjoy outdoor areas and socialize with other members of the community. Program elements include childcare, exercise classes, aquatics programming, senior programming, sporting classes, enrichment classes and the recently constructed licensed early education center. The District's mission is to offer balanced and high quality programs that ensure all elements are offered to all age groups throughout the year at a reasonable cost.

⁵ District enabling legislation authorizes a broad set of municipal services including water, sewer, solid waste, fire protection, public recreation, childcare, street lighting, mosquito abatement, police, library, street improvements, undergrounding electric and communication infrastructure, ambulance, cable, cemeteries, airports and transportation services. See Attachment B for complete listing of authorized services. HRD services are limited to park and recreation and childcare. If the District determined other services besides park and recreation and childcare should be activated, LAFCo approval would be required.

⁶ The Highlands Unincorporated Neighborhood has an active neighborhood association, the Highlands Community Association that regularly communicates with HRD and the County of San Mateo regarding municipal service and land use matters affecting the Highlands.

⁷ Source: San Mateo County Assessor's Office "Roll Tracker"

⁸ ***As noted elsewhere, the entire larger unincorporated area including Highlands/Baywood Park/Baywood Plaza is included in the Crystal Springs County Sanitation District and developed portions of the entire unincorporated area are included in County Service Area 1 (CSA 1), a County-governed district that provides enhanced police and fire service. CSA 1 receives property tax and a voter approved annual parcel tax of \$65 per parcel. Correspondence from the homeowners associations representing the neighborhoods and residents often reference residents as CSA 1 residents.***

The Budget states that the District's mission is achieved through property taxes, user fees, volunteers, donations and collaboration with the Highlands Community Association, Highlands Senior Network, CalFire, Sheriff's Activities League, Highlands School and Crystal Springs United Methodist Church.

The District operates with 15 full time staff including a General Manager, School Age Program Director, Aquatics Supervisor, Recreation Supervisor, Maintenance Supervisor, Early Education Director and After School Program Head Teacher and seven early education staff. The District also employs childcare staff, pool staff, and administrative staff totaling a high of 75 during the summer to 51 part-time staff throughout the remainder of the year, many of whom may work as few as four hours per pay period. It is noted that 70% of the year round pool staff work fewer than 10 hours per week because pool hours are reduced.

Section 4: Areas of Determination

1) Growth and population projections for the affected area

The estimated population for Highlands Recreation District is 2,193 persons based on the number of parcels in the District and the Association of Bay Area Government's (ABAG) projection of an average of 2.78 persons per household in San Mateo County. The Highlands community is in the sphere of influence of the City of San Mateo. The ABAG population growth projections for the City of San Mateo and sphere of influence reflect growth of 14% by 2035, indicating projected growth of 307 persons for the Highlands/Baywood Park/Baywood Plaza area.⁹ These projections do not reflect limitations relative to unincorporated Highlands and recently approved Ticonderoga LLP/Chamberlain subdivision (11 homes), which included dedication of 92.47 acres to open space, thereby reducing potential infill development. Based on this project, estimated growth in the area is 30 persons assuming 11 homes and average of 2.78 persons per household.

2) The location and characteristics of any disadvantaged unincorporated communities¹⁰ within or contiguous to the sphere of influence.

This area of determination does not apply to the community served by the Highlands Recreation District.

⁹ Of note is that the Highlands Recreation District encompasses a portion and not all of the area included in the City's sphere. The Highlands Recreation District includes 789 parcels of the total 1,471 parcels included in the unincorporated Highlands/Baywood Park/Baywood Plaza.

¹⁰ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

3) Present and planned capacity of public facilities and adequacy of public services, including infrastructure needs or deficiencies

The District's facility is located at 1851 Lexington Avenue in the Unincorporated Highlands neighborhood near Highways 280 and 92. District facilities are detailed above. The recently constructed and dedicated Early Education Center and Multipurpose Room were financed through Certificate of Participation (COP) bond financing. The June 2011 Audit cited Certificates of Participation issued at \$3,195,000¹¹ with annual bond payments at \$177,256 for the Fiscal Year ending June 2012. The COP requires two interest payments and one principal payment each year. The total of these payments for 2012-13 is \$226,256. The interest and principal payment liabilities are not being accrued on a monthly basis. The discounted COP net purchase price was \$3,151,148.05 of which \$2.7 million was deposited into the Project Fund.¹²

As noted on page 3 of the 2012-13 Budget, "2011-2012 Recap" the Adopted 2011-12 Budget set aside funds for the initial bond interest payment of \$88,628, and the Actual 2011-12 expenditures also included the accrued installment \$59,086 due in August of 2012. Subsequent year debt service is shown in Note 5 on Page 19 of the Audit for June 2011, with annual payments totaling \$226,256, \$229,156 and \$226,956 for Fiscal Years, 2013, 2014 and 2015, respectively. The debt was issued with a maturity of September 1, 2040. The estimated construction cost including construction documents and fees, permitting, contingencies and interior furnishings and exterior landscaping was \$3,000,000. At the adoption of the 2012-13 Budget, \$2,655,000 had been expended. **The** June 2012 Audit provides more updated information **and is available on the District's website**. The District budget includes information on other improvements to District facilities. Annual budgets also provide for routine maintenance, repairs and upgrades.

As noted above, there is the potential for transfer of open space lands to the District as a result of dedication of 92 acres 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 District comments that the District plans no new or enhanced park and recreation services and that there is no duplication of services.

¹¹ June 2011 Audit, Page 4.

¹² The balance included \$96,840.93 in Cost of Issuance, \$231,212.50 Reserve, and \$123,094.62 Capitalized Interest Account of Installment Payment Fund. (Source: Trustee's Receipt of Proceeds)

4) Financial ability of agencies to provide services

Key revenue streams available to California enterprise districts such as Highlands Recreation District include fees for service and property tax. Districts may also, with voter approval, assess parcel taxes. Tools to balance budgets include: reducing service levels; deferring projects; sharing service and joint power agreements with other agencies¹³; increasing existing taxes and fees; maximizing grant funding; and drawing down on reserves.

As a single purpose special district, funded with property tax and user fees and located in an area of the County that has not experienced significant negative effects of the downturn in the housing market affecting property tax revenues, Highlands Recreation District has been relatively insulated from the challenges faced by most local government in recent years. The assessed valuation of the District is \$410,758,325. Growth in assessed value from 2010-11 to 2011-12 was 4.97% compared to 3.33% countywide. Estimated growth in assessed value from 2011-12 to 2012-13 is 3.21% compared to 2.68 countywide.¹⁴ In addition, the District's ability to set park and recreation fees has allowed the District to reduce reliance on property tax, working toward recovering the cost of park and recreation operations and establishing general and capital reserves.

Highlands Recreation District 's estimated actual 2011-12 park and recreation fees were \$1,755,407 in 2011-12 and property tax revenues were approximately \$366,413 in 2011-12 (unaudited). Page 1 of the 2012-13 Budget Detail reflects estimated fund balance of \$1,280,134, property tax revenues of \$365,000, Interest of \$9,000, park and recreation fees of \$2,069,697, estimated refunds and returned checks of \$33,500, stale dated check of \$200, miscellaneous revenues of \$11,000 for total revenue of \$2,421,397 and total resources available of \$3,701,531.

On the expenditure side for Fiscal Year 2011-12 (unaudited), estimated actual compensation and benefits are cited at \$1,226,468, operations of \$434,656, capital improvements at \$92,916 and bond interest of \$147,714 with total expenditures of \$1,901,754 excluding capital costs funded by Certificates of Participation. Page 4 of the 2012-13 Budget Detail reflects total operating expenditures of \$2,026,141, Bond Interest Payment of \$176,256, Fixed Assets of \$219,000, Appropriation for Contingencies of \$300,000, Capital Reserve of \$880,134 and General Reserve of \$100,000 for total appropriations of \$3,701,531.

The increase in both fee revenue and operating expenditures reflects primarily the first full year of operation of the new early education center. The following table represents revenues,

¹³ 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.

¹⁴ San Mateo County Assessor's Office on-line "Roll Tracker" <https://secure.smcare.org/apps/art/MainMenu.aspx>

expenditures and changes in fund balance from audits for Fiscal Years Ending June 2008 through June 2011.

Operating Surplus (Deficit)				
	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Total Revenues	1,591,867	1,556,184	1,796,823	1,744,281
Total Expenditures	1,822,056	1,510,150	1,682,145	3,152,936 ¹⁵
Excess (Deficit)	(230,189)	46,034	114,678	(1,408,655)
Other Financing Sources				3,195,000
Net Change Fund Balance	(230,189)	46,034	114,678	1,786,345
Fund Balances, Beginning	1,047,801	817,612	863,646	978,324
Fund Balances, Ending	\$817,612	\$863,646	\$978,324	\$2,764,669

The District Fund Balances for the fiscal years ending June 30, 2008 through 2011 were \$817,612, \$863,646, \$978,324, and \$2,764,669, respectively as shown.¹⁶ (The 2012-13 Budget Narrative, page 4 states that the District began the fiscal year with an increase in Fund Balance of \$337,655, resulting in \$1,280,134 maintained in the County Treasury and \$144,000 in the District's Borel Bank Account.) Note that fund balance figures in adopted budgets do not mirror fund balance figures in Audits. It appears that that this is due to the budget being adopted prior to completion of the Audit and the fund balance in the budget is not formally amended once the audited fund balance is available. The District indicates the Board will adopt an amended budget when the Audit for the period ending June 2012 is available. The 2008 deficit reflects increased capital projects and facilities renovation. Growth in fund balance reflects the District's planned construction of the early education center and the 2010-11 Fiscal Year receipt of bond proceeds and only partial expenditure of bond revenue. Capital reserves are established based on the anticipated five year projections and anticipated capital projects are budgeted for each fiscal year.¹⁷

¹⁵ Includes capital outlay child care center bond financing of \$1,499,326.

¹⁶ Source: District Audits for Fiscal Years ending June, 2008 through June 2011

¹⁷ The District also has established Accounting and Fraud Policies developed in response to recommendations in annual audits as well as a check signature policy requiring General Manager and Board Member signature for checks exceeding \$1,500. The Finance Committee assists in preparation of the annual budget. The Board receives monthly financial reports on the status of District finances.

	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Capital Outlay	303,168	344,183	534,719	593,295
Contingencies	200,000	190,000	163,500	228,000
Unreserved	314,444	329,463	280,105	1,943,374
Total	\$817,612	\$863,646	\$978,324	\$2,764,669

District Financial Guidelines stipulate that appropriation for contingency shall be no greater than 15% of expenditures and Fund Balance Reserve shall be a minimum of 15% of the operating budget. The 2012-13 Budget also includes a general reserve of \$100,000.

The District indicates that the June 30, 2012 reserves will reflect, compared to June 2011, significantly lower unreserved funds as much of these were COP funds required for construction of the Early Education Center. The District comments that the June 30 State Controller’s report indicates Capital Outlay of \$473,296, Contingencies at \$300,000; and Unreserved at \$934,024 for a total of \$1,707,320.

As shown below, current assets to current liabilities indicate the District is consistently in good position to meet short term obligations.

Current Assets to Current Liabilities				
	June 30, 2008	June 30, 2009	June 30, 2010	June 30, 2011
Current Assets	985,536	935,415	1,147,148	3,251,450
Current Liabilities	117,803	121,890	168,824	545,886
Ratio	8.3	7.6	6.79	5.9

The District comments that as of June 30, 2012 (unaudited), the current assets are \$1,828,257 and the current liabilities are \$221,689, resulting in a ratio of 8.3. The District notes however that current assets include \$295,335 held by the Bank of Mellon, of which \$231,213 is allocated for the final year of COP payments currently scheduled for 2040, and thus are not included in current liabilities. Eliminating these funds from current assets reduces the effective ratio to 7.2.

The June 2011 Audit and 2012-13 Adopted Budget are attached to this report. Previous Fiscal Year financial information is available at (www.highlandsrec.ca.gov)

Staffing Levels:

As noted in the District’s budget, full-time management includes the General Manager, School Age Program Director, Aquatics Supervisor, Recreation Supervisor, Early Education Director and After School Program Head Teacher. The following table extracted from the District’s 2012-13 budget reflects staffing level funded including seasonal demands.

	Full Time	Year Round Part-time	Summer Only Part-time

Permanent Staff	6		
After School Program		10 (4.8 FTEs)	6 (5.5 FTEs)
Early Education Center	7	1	
Pool	1	21(3.8 FTEs)	21 (7.3 FTEs)
Office		2	
Maintenance	1		1
	15	34 (11.6 FTEs)	28 (13.1 FTEs)

The District comments that part-time staff is widely defined with a particularly wide range for the pool and after school program staff. The summer part time pool staff includes lifeguards and instructors who may work as little as four hours per pay period. Over nine months of the year, 70% of the year-round pool staff works fewer than 10 hours per week because the operation hours of the pool are reduced.

As reported on Page 21 of the Audit for year ended June 2011, the District’s employee benefit plan is a Tax Deferred Simple IRA Plan that is available to exempt employees who have earned more than \$5,000 in the preceding year. The District contributes a 3% match of the eligible employee’s gross annual salary for employees who choose to participate. The District’s contributions for the period ending June 30, 2011 were \$9,492. The District also offers medical insurance, dental and disability coverage for full time, year round employees that combined with IRA contributions total \$55,200 or 3.8% of total compensation and benefits in the current year budget. As an agency that offers a modest benefit packet compared to cities and the County, the District has no unfunded liability for post-retirement benefits.

Opportunities for rate restructuring

The District has an adopted fee schedule that results in fee revenues ranging from 77% to 80% of total revenues annually.

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.¹⁸ The only instance where a

¹⁸ 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.

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.

As noted above, Park and Recreation Fees for 2012-13 are budgeted at \$2,036,197 and property tax is estimated at \$365,000. (Property tax revenue results from a property tax share of approximately 10.5% of the 1% property tax within District boundaries.)¹⁹ Program fee revenues are anticipated to be 26% greater in the current fiscal year due to increases in all department revenues, in particularly from the Early Education Center.

At the October 9 Board of Directors meeting, the Board appointed an ad hoc committee to conduct a program fee review that would re-evaluate the resident and non-resident fees. ***Since that time the Board has 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.***

5) Status of, and opportunities for, shared facilities

District services are provided at Highlands Recreation Center with limited opportunity for offsite programs and limited capacity for non-resident services. As noted in the 2011-2012 Budget Narrative, the District's mission is to offer balanced and high quality programs that ensure all elements are offered to all age groups throughout the year and the District achieves this mission through support from property taxes, user fees, volunteers, donations and collaboration with the Highlands Community Association, Highlands Senior Network, CalFire, Sheriff's Activities League, Highlands School and Crystal Springs Methodist Church.

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

This section examines the degree to which an agency keeps affected residents informed about services, budget, programs, anticipated changes in service, effectiveness and efficiency in responding to service needs and the degree to which an agency encourages public participation in decision making.

¹⁹ As noted on Page 20 of the Audit for June 2011, property taxes are distributed to agencies under the Teeter Plan which allows the Controller to allocate 100% of the secured property taxes billed and not yet paid. The County remits property tax in five installments: 5% in November, 45% in December, 5% in March, 35% in April and 10% in June.

The Highlands Recreation District is governed by a five-member board, elected by voters in the district.²⁰ The Board meets on the second Tuesday of the month at 7:00 p.m. at the Highlands Recreation District at 1851 Lexington Avenue, in the unincorporated Highlands neighborhood. Board meetings are subject to the Ralph M. Brown Act governing public meetings. The agenda is posted at the Center and on the District's **website (www.highlandsrec.ca.gov)**.

The Board adopts a budget annually that is developed by the Board's Finance Committee and the budget is available to the public. The budget document references fiscal policies in place that limit access to funds and to the District's financial information. The Board reviews detailed financial reports monthly and approves items prior to disbursement of funds. District accounts payable are reviewed and approved by the District Board at the Board meetings and are not reviewed by the Finance committee. The District also contracts for preparation of an annual audit.

Indicative of the small administrative staffing and past custom, written staff reports associated with agenda items are not available to the public on the District's website or at the Board meeting. Observations about District Board meetings and budget adoption practices include the following:

- 1) District Board meetings are not recorded and the minutes of meetings do not provide sufficient detail to adequately document fiscal or other decisions made by the Board such as the amount of the budget that was adopted. ***As of the November 15 Draft Municipal Service Review*** minutes do not reflect Board members absent.
- 2) ***Since the November 15 Draft Municipal Service Review the District Board held a Planning Session that included an overview of the Brown Act, Strategy Discussion and Revisit and Review of the District's Mission Statement.***
- 3) The Budget is adopted by motion versus by resolution and the budget document is not dated or labeled "adopted and date", which when combined with lack of recorded or detailed minutes, results in no documentation of budget adoption and spending authority. Budget narrative does not include discussion of total appropriations including reserve accounts.
- 4) The Board meeting agenda is posted and available on the website but the limited written staff reports are not posted on the website nor are they available for public review at Board meetings.
- 5) Approval of monthly expenditures are conducted as a posted agenda item after being distributed to the Board 72 hours prior to the meeting but are not reviewed by the finance committee prior to the meeting.

²⁰ San Mateo County Elections Division reports that in the last ten years, vacancies on the HRD Board have been filled by appointment because candidates ran unopposed or no candidate filed by the filing deadline.

Useful resources for best practices in these areas include California Special Districts Association²¹ and Institute for Local Government.²²

In regard to operational efficiencies, District governance is efficient in that the Board of Directors serve as volunteers. The District is unique in that it is a small, single purpose special district serving an unincorporated neighborhood that is part of a larger unincorporated island immediately adjacent to a full-service city.²³ As noted elsewhere the District along with other overlapping county-governed districts was established when the community was being developed in the 1950's and was at the time, considered remote because Highways 280 and 92 were not yet constructed and the City of San Mateo had not yet expanded to the west as it is today. The District comments that the area continues to be remote because there are currently no public transportation options. However, absent public transportation Polhemus Road connects the community to Highway 92, and De Anza Boulevard, Parrot Drive, and Bellaire, among other streets, connect the community to adjacent San Mateo. San Mateo's Beresford Park located at 2720 Alameda de las Pulgas is 4.1 miles or ten minutes from the District's facility and San Mateo Fire Station No. 27 located at 1801 De Anza Boulevard is 1.4 miles or five minutes from the District's facility. ***The District's March 12, 2013 comments reiterate their perspective that community is isolated and that residents cherish and value this isolation.***

In considering the cost of District services there are two perspectives. First, as a District that relies primarily on program fees, data on resident and non-resident membership is necessary to arrive at the cost of service by annual member or participant. As a District with one 3.45 acre facility and 41 acres of open space, that is funded in part by property tax and is voluntary to join, one method of arriving at the District's cost to the its tax payers is to base analysis on total property tax received by the District and estimated population which equates to \$166 per resident per year. Other measures include one community center per 2,193 residents and .02 acre of open space per resident. If the District's total budget is divided by total population, annual cost per resident is \$1,104. Again this does not take into consideration that some residents are not members and that there are non-resident members and participants.

In comparison, the adjacent City of San Mateo with a Census 2010 population of 97,207 has 300 acres of park land, 30 parks, two swimming pools, 16 tennis courts and six community centers and has one community center per 16,201 residents. The City's total Park and Recreation budget is \$14.2 million with a General Fund subsidy of \$8.8 million, which based on General Fund subsidy translates to an annual per capita cost of \$91.00 per resident. Per capita cost of the total budget of \$14.2 million would be \$146 per resident annually.

²¹ See CSDA website.

²² See www.ca-ilg.org for "Financial Management for Government Officials: Questions to Ask"

²³ A similar community services district is Ladera Recreation District (unincorporated Portola Valley) with a population 1,426, parcel count of 553, total assessed valuation of \$537,381,640, expenditure budget of \$538,626 and revenue budget of \$560,000 of which 72% is fee revenue and 26% is property tax.

The District comments that they offer a multitude of programs that do not require membership and notes that the open space is not accessible to the public but the District funds maintenance for fire safety. The District comments that it offers programs such as year round pool and licensed day care, which are expensive and have been in some cases eliminated in the City due to financial instability.

The District website (www.highlandsrec.ca.gov) and recreation guide published three times a year provide information on District recreation programs and activities, District governance, Board composition, meeting schedule, agenda, budget and audits. Board meeting agenda are posted to the website but links for staff reports are not currently provided. At the October 9 District Board meeting, it was indicated that website redesign will be undertaken in upcoming months. Redesign gives the District the opportunity to consider the following which can be considered best practice in local government: add links to staff reports associated with board meeting agendas; add board of directors term dates to the roster of board of directors; add a roster of standing committees of the board and meeting schedule; and place District audits on the same page as District budget and financial documents.

Governance Alternatives:

Section 56430 requires discussion of governance alternatives and advantages and disadvantages of reorganization. The sphere of influence of the Highlands Recreation District is coterminous with district boundaries with a recommendation that the District be established as a subsidiary district of the City of San Mateo upon annexation of the Highlands to the City. As a subsidiary district, the HRD assets, finances and liabilities would remain segregated as a reporting entity with no change in service area or mission. The primary change would be that the City Council would be the governing body. Under this sphere designation, annexations therefore would require either an amendment to the sphere of influence to add additional territory, or that the Commission adopt a finding that annexation of additional territory would not conflict with future implementation of the adopted sphere (annexation to the City of San Mateo and establishment as subsidiary district). Changes since the sphere of influence was adopted in 1985 include the District's newly constructed Early Education Center funded with Certificates of Participation and the recently approved Ticonderoga Subdivision which allows 11 new residences on the periphery of the District boundaries.

The following table illustrates the several service providers that serve the Highlands and adjacent Baywood Park area. Note as illustrated in the attached map that each entity has different boundaries and Crystal Springs County Sanitation District is the only district that encompasses all of the unincorporated area.

Highlands						
Police	Fire	Water	Sewer	Park & Recreation	Lighting	Other²⁴
CSA 1 ²⁵	CSA 1	CalWater	Crystal Springs County Sanitation District	Highlands Recreation Dist.	Bel Aire Lighting District	County of San Mateo
Baywood Park						
CSA 1	CSA 1	CalWater	Crystal Springs County Sanitation District	None ²⁶	Bel Aire Lighting District and Enchanted Hills Lighting District	County of San Mateo
Baywood Plaza						
CSA 1	CSA 1	CalWater	Crystal Springs County Sanitation District	None	Bel Aire Lighting District (Partial)	County of San Mateo

While annexation to the City of San Mateo has not been a popular notion in the community, encouraging annexation of urban areas to cities is a stated goal for LAFcos and is consistent with the County’s General Plan. In addition, discussion of annexation is required as part of the areas of determination under Section 56430. Discussion of annexation is also a benefit in that it clarifies some misconceptions about consequences of annexation. In this regard, discussion of alternatives is not intended to minimize the strong ties residents have with the District, which was formed specifically to finance recreation facilities and services for the developing Highlands neighborhood.

Consideration must also be given to the multiple, overlapping special districts detailed above that provide services to the Highlands/Baywood Park/Baywood Plaza neighborhoods. Collectively these districts receive an unusually high level of property tax to fund a service delivery model originally instituted at the time of development of the Highlands/Baywood Park subdivisions when the area was considered remote prior to construction of Highways 92 and 280 and prior to construction of the City of San Mateo nearby facilities such as the San Mateo Fire Station #27 located at 1807 De Anza Boulevard (constructed in 1972). Since development and formation of the District, the community has since evolved from remote to contiguous to City of San Mateo residential areas. It should also be noted that laws governing annexation do not require that the entire area be annexed at one time. It is possible to complete annexation in phases that might first take into consideration neighborhoods that are contiguous to City boundaries.

²⁴ Roads, Drainage, Solid Waste Franchise, General Government Services

²⁵ County Service Area 1 administered by the County Manager’s Office contracts with San Mateo County Sheriff and CalFire for service to the Highlands and Baywood Park Area.

²⁶ The County of San Mateo’s nearest regional park is Coyote Point Recreation Area. The nearest City of San Mateo Park recreation center is Beresford Recreation Center and Park. Some city residents utilize HRD facilities.

Because the District serves unincorporated Highlands, which is in the sphere of influence of the City of San Mateo, governance alternatives include:

1. Annexation of the Highlands Unincorporated Area to the City of San Mateo and establishment of the District as a subsidiary district of the City of San Mateo. In this scenario the City Council would serve as governing body of the District and the District budget would remain segregated from the City's recreation budget with services continuing as they are currently provided. (Current sphere designation)
2. Annexation of Highlands Unincorporated Area to the City of San Mateo and continued existence of the District as a separate independent district, which is permitted by enabling legislation. (Status Quo)
3. Amendment of the sphere of influence and expansion of Highlands boundaries to include balance of unincorporated area, taking into consideration: a) annexation would not include a property tax transfer and would instead rely on a two tier fee schedule to assure that property tax collected is not used to subsidize service for residents in expanded area or include a parcel tax or benefit assessment that approximates the property tax per parcel the District currently receives and b) District facility has no additional capacity for program attendance, facility use and parking, and expansion of service area would therefore require acquisition of additional facilities or shared use of additional facilities.
4. Annexation of the Highlands unincorporated area to the City of San Mateo, dissolution of the District and transfer of assets and service responsibility to the City of San Mateo as part of the park and recreation department of the City. Consideration would need to be given to advantages and disadvantages to Highlands residents of use of District facilities as a program with a broader benefit to City of San Mateo residents, resulting in reduction in the neighborhood based service level while also expanding the City services available to Highland residents at city resident rates versus non-resident rates. Analysis would need to address changes in traffic patterns of users from outside the area using the District facility and Highlands residents driving to other facilities.
5. Expansion of either the County Service Area 1 or the existing Highlands Recreation District as a Community Services District to include the entire unincorporated area and transfer all special district service responsibility to either an expanded county-governed County Service Area or an expanded Highlands Recreation District as an independently governed Community Services District. In this scenario, the expanded County Service Area or Community Services District would be the governing body for all services to the unincorporated area. Zones of service would be established to delineate service areas by type of service and revenues and expenditures for individual programs would be segregated but consolidated under one multi-purpose district and one governing body.
6. See also discussion establishing the Crystal Springs County Sanitation District as a subsidiary district of the City of San Mateo contained in the City of San Mateo Municipal Service Review and Sphere update to be circulated.

Any of these alternatives would require consensus of the residents and affected agencies and a study of feasibility of the alternative.

Recommended Municipal Service Review Determinations:

1. Growth and population projections for the affected area

The estimated population for Highlands Recreation District is 2,193 persons based on the number of parcels in the District and the Association of Bay Area Government's (ABAG) projection of an average of 2.78 persons per household in San Mateo County. The Highlands community is in the sphere of influence of the City of San Mateo. The ABAG population growth projections for the City of San Mateo and sphere of influence reflect growth of 14% by 2035, indicating projected growth of 307 persons for the Highlands/Baywood Park/Baywood Plaza area.²⁷ These projections do not reflect limitations relative to unincorporated Highlands and recently approved Ticonderoga LLP/Chamberlain subdivision (11 homes), which included dedication of 92.47 acres to open space, thereby reducing potential infill development. Based on this project, estimated growth in the area is 30 persons assuming 11 homes and average of 2.78 persons per household.

2. The location and characteristics of any disadvantaged unincorporated communities²⁸ 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 influence²⁹

The District operates a recreation center located on 3.45 acres at 1851 Lexington Avenue in the unincorporated Highlands neighborhood and maintains 41 acres of open space nearby. (Please see Attachment A for map). The recreation center includes a swimming pool, baby pool, three tennis courts, a playground, outdoor basketball/sports court, locker rooms and storage, lifeguard office and storage, fitness center, three-quarter size basketball gym, full kitchen, men and women restrooms, storage room, 670 square foot office and restroom,

²⁷ Of note is that the Highlands Recreation District encompasses a portion and not all of the area included in the City's sphere. The Highlands Recreation District includes 789 parcels of the total 1,471 parcels included in the unincorporated Highlands/Baywood Park/Baywood Plaza.

²⁸ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income.

²⁹ Language in Italics was added by amendments chaptered and effective November 2011.

social room and newly constructed licensed early education center, age appropriate playground, ADA accessible registration office and community room with kitchenette. The District's Early Education Center was funded with Certificates of Participation and on-going capital improvements and maintenance are funded in the annual budget.

Opportunity exists to augment District owned open space by becoming successor to approximately 92 acres of open space that was dedicated as a condition of approval of the Ticonderoga Subdivision.

4. Financial ability of agencies to provide services

The District is funded with property tax and recreation fee revenues and the District's ability to set park and recreation fees has allowed it to reduce reliance on property tax, working toward cost recovery and establishing general and capital reserves.

5. Status of, and opportunities for, shared facilities

District services are provided at Highlands Recreation Center with limited opportunity for offsite programs and limited capacity for non-resident services. As noted in the 2011-2012 Budget Narrative, the District's mission is to offer balanced and high quality programs that ensure all elements are offered to all age groups throughout the year and the District achieves this mission through support from property taxes, user fees, volunteers, donations and collaboration with the Highlands Community Association, Highlands Senior Network, CalFire, Sheriff's Activities League, Highlands School and Crystal Springs Methodist Church.

The District works closely with County Service Area 1 contractors that include providing substation space for the County Sheriff Patrol assigned to the Highlands/Baywood Park/Baywood Plaza collaborates with CalFire on Cert training and receives assistance from CalFire in installation and removal of the HRD pool dome.

If the District finds it does not have the resources for services such as information technology, accounting or website design or maintenance, opportunities exist to contract for these services from the private sector or other public agencies.

LAFCo has provided the District with information regarding the San Mateo County Finance Officers, a group that meets regularly to discuss local government finance that may be of interest to the District and afford opportunities to learn about resource sharing.

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

The Highlands Recreation District is governed by a five-member board, elected by voters in the district.³⁰ The Board meets on the second Tuesday of the month at 7:00 p.m. at the Highlands Recreation District at 1851 Lexington Avenue, in the unincorporated Highlands neighborhood. Board meetings are subject to the Ralph M. Brown Act governing public meetings. The agenda is posted at the Center and on the District's website (www.highlandsrec.ca.gov).

The District Board of Directors serve as volunteers and the District utilizes a combination of full time, part-time, seasonal and volunteers to leverage resources.

The Municipal Service Review includes discussion of resources that might assist the district in best fiscal practice and accountability.

Based on comments from the District, residents and affected agencies, Government Structure Options for the District include: annexation of the area to the City but continued existence of the district as an independent district and expansion of district boundaries to encompass the entire unincorporated area and add services provided by other districts to create a locally elected independent multipurpose district that would provide all services to the community. Both of these scenarios would not preclude annexation at some time in the future and absent annexation both would be consistent the stated desire that the District remain an independent special district.

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

³⁰ San Mateo County Elections Division reports that in the last ten years, vacancies on the HRD Board have been filled by appointment because candidates ran unopposed or no candidate filed by the filing deadline.

Section 2: Sphere of Influence Review

Government Code Section 56425 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:

- *The present and planned land uses in the area, including agricultural and open-space lands.*
- *The present and probable need for public facilities and services in the area.*
- *The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.*
- *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 and changes that have taken place since the sphere of influence was originally adopted.

District Enabling Legislation and Active Powers:

The District was formed pursuant to Government Code Section 61000 with a broad set of municipal services as a community services district. Of those authorized, Highlands Recreation District services are limited to park and recreation including open space maintenance and early education center, and any new services would require approval by LAFCo. If a funding measure is a condition of LAFCo approval, activation would be subject to approval of voters in the District.

District Spheres and Service Areas:

The Highlands Recreation District service area is described above. The sphere of influence designation is coterminous with a sphere designation that the District be established as a subsidiary of the City of San Mateo. Changes since spheres were adopted in 1985 include the District's newly constructed Early Education Center funded with Certificates of Participation and infill development approved in areas adjacent to District boundaries.

In addition, in the past the District staff has indicated that neighboring Baywood Park residents have expressed an interest in annexing to the District because children in Baywood Park attend the same public schools as children located in Highlands Recreation District boundaries and there is a desire to participate in the same afterschool activities. More recently, District comments have included the fact that the District programs are already at capacity and that the non-resident fee tier allows these residents to participate in District programs.

Given District comments that its programs are at or near capacity and that parking is congested during certain hours, it does not appear that the District has capacity to significantly expand service area without also building additional facilities or having access to shared use of other facilities in the Baywood Park Area.

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

Land uses within the boundaries of the District are predominantly residential, with limited institutional (school) and resource management land use designations.

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

The area within boundaries of the District consists predominantly of residential areas requiring basic municipal services including recreation programs and facilities provided by the District and there is a demonstrated need for continued recreation services.

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

Services authorized by the enabling legislation of the District are set forth in Government Code Section 61000. The service review provides information on the services provided by the District and District facilities indicating a capacity to serve Highlands residents and limited non-residents at a non-resident fee schedule. Any new services not currently provided would require application to LAFCo.

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 Highlands Community and Highlands Recreation District share a common history in that the purpose of the District formation was to fund recreation facilities for the Highlands Community. A broader community of interest includes the balance of the unincorporated area because the Highlands/Baywood Park/Baywood Plaza neighborhoods are served by one elementary school,

one County-governed sanitation district and one County-Governed County Service Area for enhanced police and fire protection.

Staff Recommendation:

The District's March 12 comments reference the District serving an isolated community, that the District collaborates with the multiple service providers serving the area, that there is no duplication of service by the District and requests that the sphere of influence be amended to that of an independent special district regardless of whether the area remains unincorporated or is annexed to the City of San Mateo. The City of San Mateo has commented that it is not interested in becoming the successor to the District if the area is annexed to the City and many residents' comments emphatically indicate support for district services and that the District remain independent.

The report includes discussion of the opportunity for the District to become successor of the open space land that results from the Ticonderoga Subdivision and consideration should be given to inclusion of these lands in the District's sphere at this time to facilitate the District's acquisition and annexation or to provide that upon becoming successor the District would apply to LAFCo for sphere amendment and annexation. The advantage to inclusion at this time would be the savings to the District in the cost and time involved in an application to LAFCo.

The report includes discussion of the potential to expand either County Service Area 1 boundaries or HRD's boundaries and authorized services to create a multi-purpose district that could include the entire unincorporated Highlands/Baywood Park/Baywood Plaza and provide all services currently provided by individual single purpose special districts. If in the future there is support for this governance model and a study demonstrating feasibility, it would be necessary to apply to LAFCo for a more comprehensive sphere amendment, annexation of territory and addition of services that would be transferred from the other districts.

Based on the foregoing the Executive Officer's recommendation is to amend the District's sphere of influence by taking the following actions:

By Resolution:

- 1) Accept the Municipal Service Review including recommended determinations.***
- 2) Adopt the Sphere of Influence Determinations contained above and amend the Highlands Recreation District sphere to "Status Quo as an independent special district regardless of whether the area remains unincorporated or is annexed to San Mateo, with sphere boundaries being current boundaries or expanded boundaries to include the Ticonderoga open space ."***

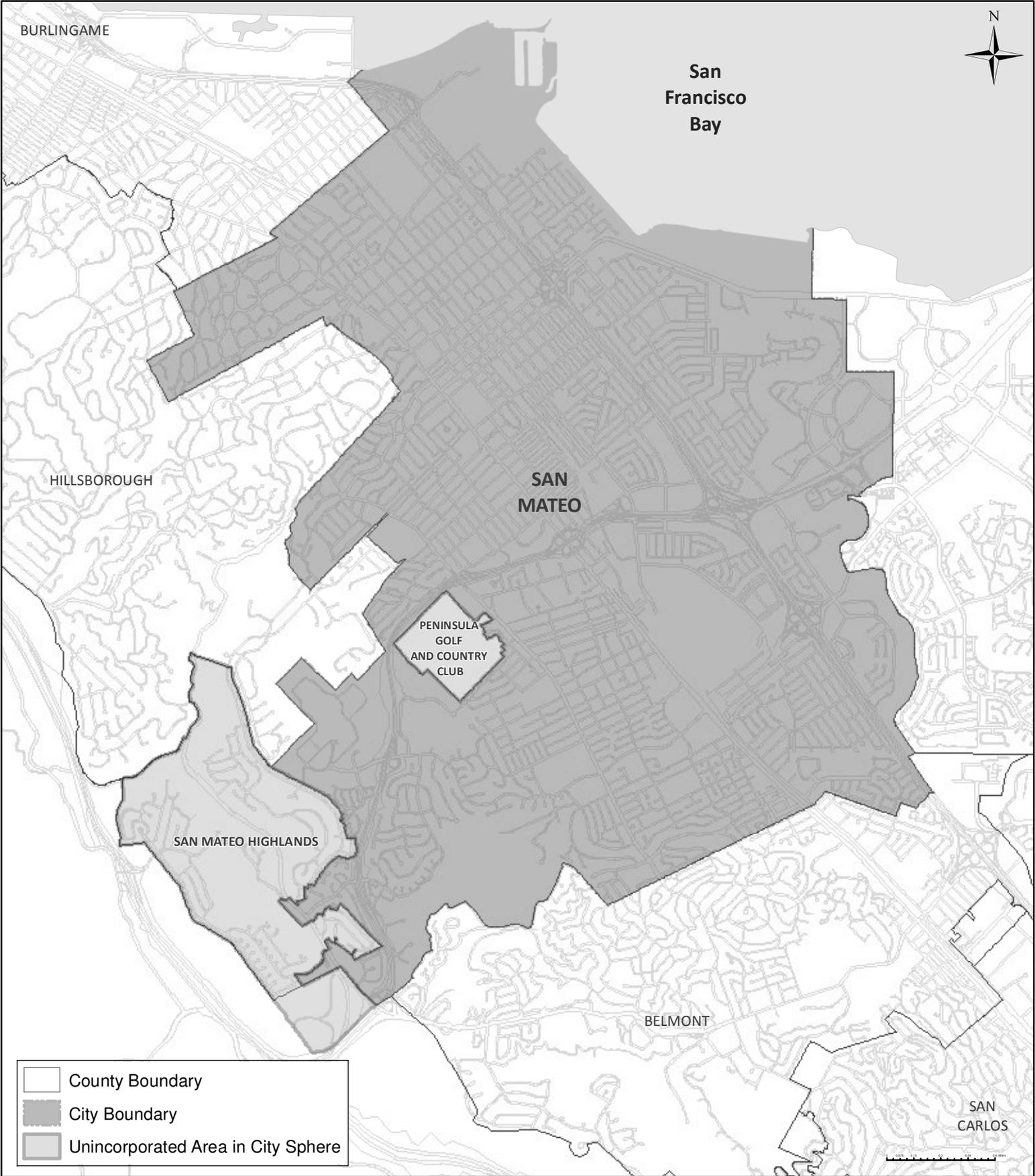
***Prepared by: Martha Poyatos, Executive Officer
San Mateo LAFCo
455 County Center
Redwood City, CA 94063
mpoyatos@smcgov.org
(650) 363-4224 (650) 363-4849 (fax)***

Report also available at: www.sanmateolafco.org

San Mateo County Sheriff's Office Operations Division - Patrol Bureau <u>County Service Area #1 (Eichler Highlands)</u>	FY 2012-13 Budget
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FY 2012-13 Actual Cost of Direct Services - 18 Hours Coverage Plan
 @ 12 Officer Hours per Day Shift & 6 Hours Night Shift / 7 Days Per Week

Services Description	Employee Salaries @ 12-Plan	County Costs of Ret, Health & Statutory	Night Shift Pay	Replacement Costs - Leave @ 2/3 Replmt	Other Pers. Costs (POST; Uniform Allow; Exp. Pay)	Total Personnel Costs	Operating Expenses	Total Actual Costs
<u>Patrol Positions</u>								
Team 1 B40 0600-1800 @100%	\$104,303	\$115,663		\$6,393	\$11,540	\$237,899		\$237,899
Team 2 B40 0600-1800 @100%	\$104,303	\$115,663		\$6,393	\$11,540	\$237,899		\$237,899
Team 3 C40 1800-2400 @ 50%	\$52,151	\$60,164	\$2,851	\$3,197	\$5,770	\$124,133		\$124,133
Team 4 C40 1800-2400 @ 50%	\$52,151	\$61,443	\$2,851	\$3,197	\$5,770	\$125,412		\$125,412
Total Personnel Expense:	\$312,908	\$352,932	\$5,702	\$19,179	\$34,621	\$725,343		\$725,343
<u>Operating Costs</u>								
Patrol Vehicles - Per Mile Charge							\$33,877	\$33,877
Patrol Vehicles - Annual Repl. Chrg							\$36,921	\$36,921
Radio Service Costs							\$10,877	\$10,877
Safety Equip Maint. & Replmt							\$3,800	\$3,800
Substation Operating Expenses							\$2,500	\$2,500
Citation-Related Expense							\$550	\$550
Other Misc. Expenses							\$325	\$325
Total Operating Expense:							\$88,850	\$88,850
Total GROSS Expense:	\$312,908	\$352,932	\$5,702	\$19,179	\$34,621	\$725,343	\$88,850	\$814,193
LESS: Estimated cost for Unincorporated Area 60 Beat coverage of CSA #1 area with no supplemental services: (Equivalent of 2.85 hours coverage in-area per 12-hour shift - was 2.6 hrs in 04-05; 2.9 hrs 05-06; 2.85 hrs 06-07; 2.8 hrs 07-08; 2.85 hrs since 08-09)								-\$169,503
Total NET CSA Supplemental Contract Service Costs FY 2012-13:								\$644,690
CSA Patrol Service Costs FY 2011-12:							% Change	\$644,690
Net Increase in Service Costs for FY 2012-13:							0.00%	\$0
Amt/% of incr. representing FY 2012-13 Deputy salary changes as determined under MOU							(\$12,715)	0.00%
Amt/% of incr. representing FY 2012-13 increased County costs for retirement and health care plans (Health increases):							\$5,911	0.00%
Amt/% of incr. representing FY 2012-13 increased in share of 60 Beat Coverage with no supplemental services							\$2,882	0.00%
Amt/% of incr. representing FY 2012-13 Service Charge increases for vehicle fuel & service, repl cost, radios; & oper. costs							\$3,921	0.00%



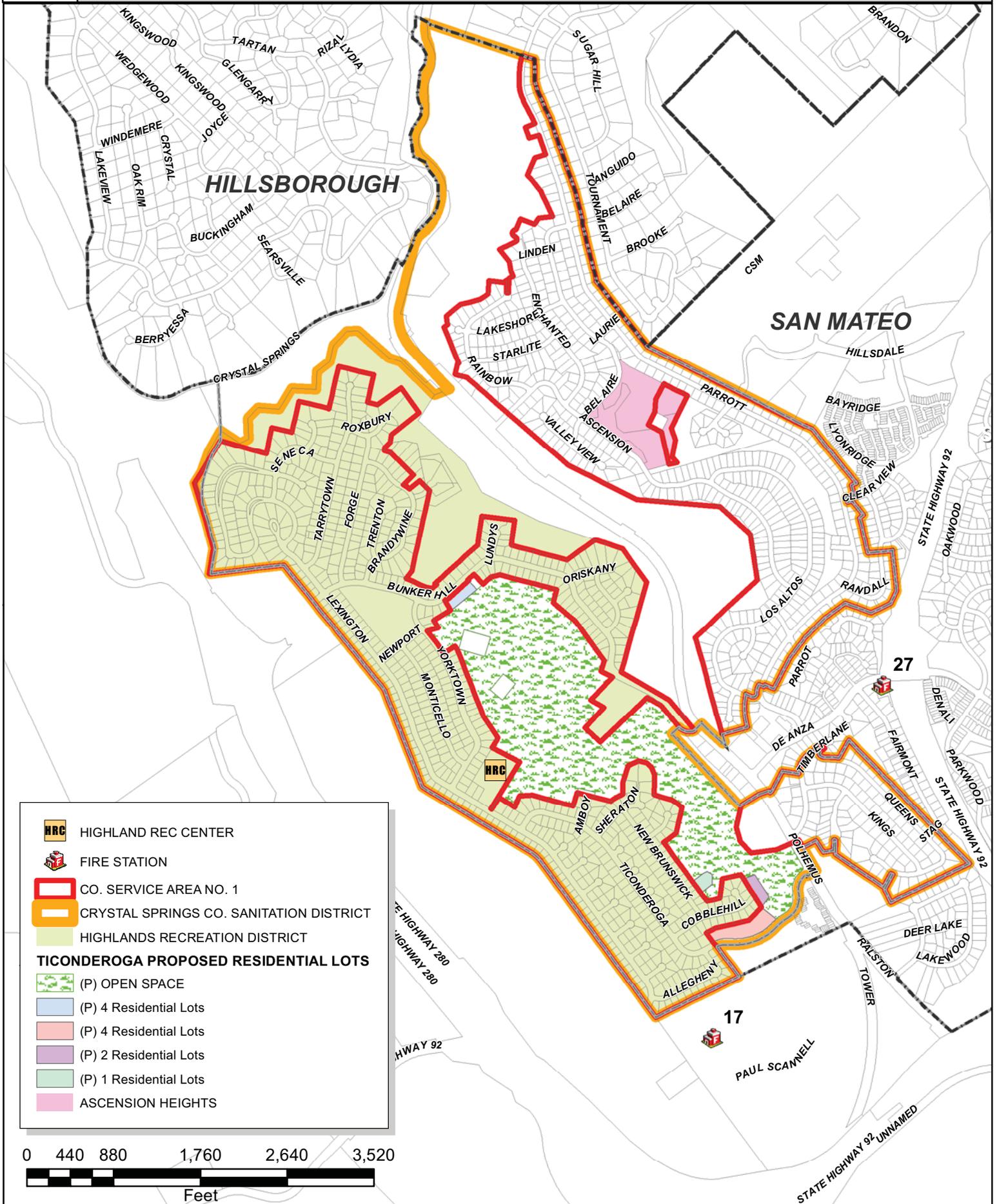
SAN MATEO SPHERE OF INFLUENCE

City boundaries are coterminous with county boundaries that extend into bay

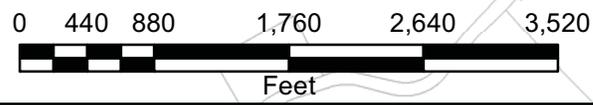


Unincorporated San Mateo County Highlands Area

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 Lot
- ASCENSION HEIGHTS

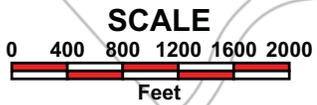


HILLSBOROUGH

NORTH



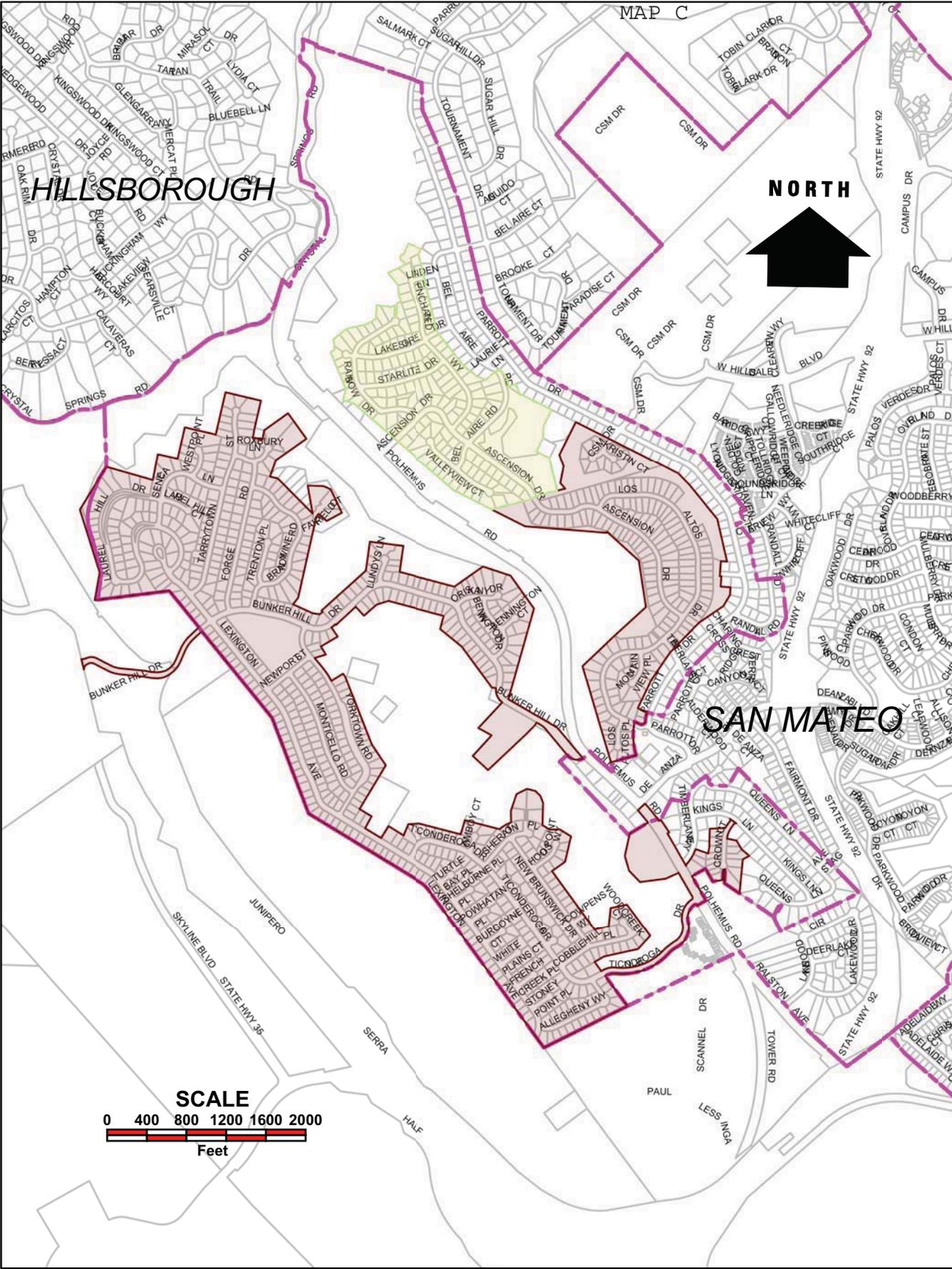
SAN MATEO



BEL AIRE LIGHTING DISTRICT



ENCHANTED HILLS LIGHTING DISTRICT

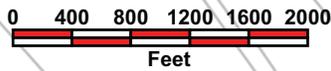


HILLSBOROUGH

NORTH

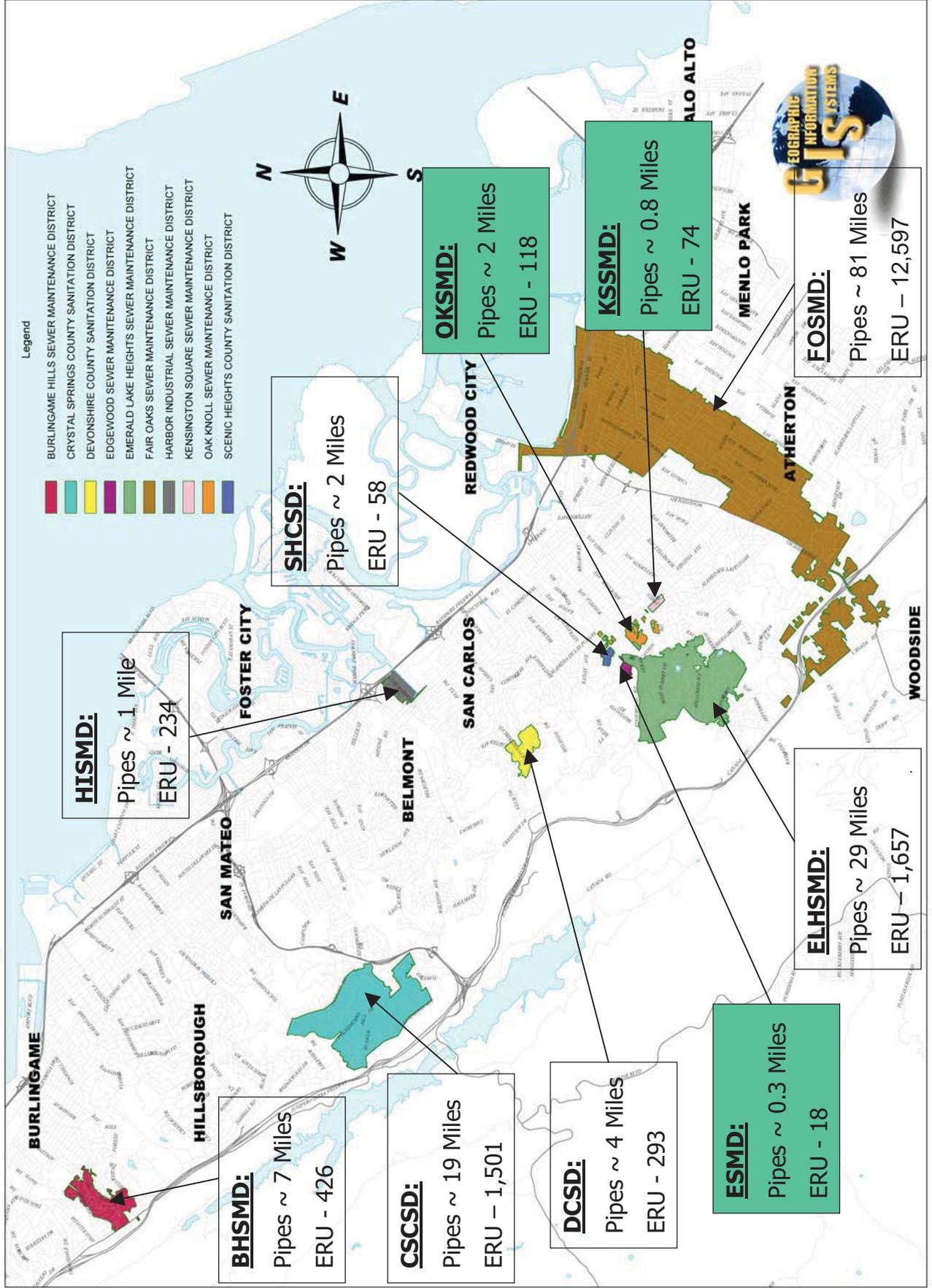


SAN MATEO

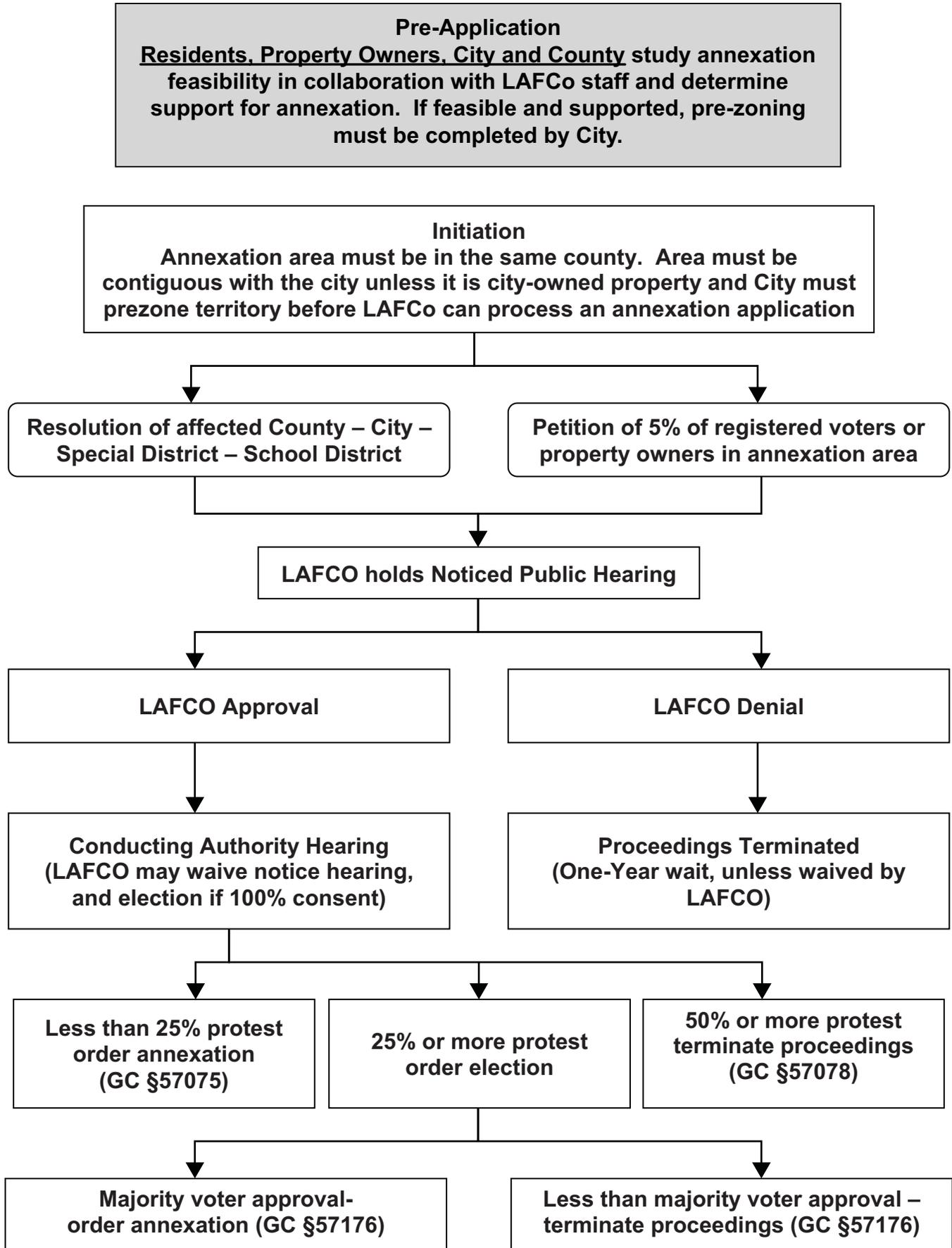


-  **BAYWOOD PARK DRAINAGE DISTRICT**
-  **EHCHANTED HILLS DRAINAGE MAINTENANCE DISTRICT**
-  **HIGHLANDS DRAINAGE MAINTENANCE DISTRICT**

County Administered Sewer and Sanitation Districts



INHABITED CITY ANNEXATION



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>

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(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 insolation 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>; 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 - 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