

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

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July 8, 2020

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer *M. Poyatos*

Subject: Consideration of Municipal Service Review Circulation Draft for the San Mateo Resource Conservation District

Summary and Background

The attached Circulation Draft Municipal Service Review (MSR) is the second MSR for the San Mateo Resource Conservation District (SMRCD). Comments from interested agencies and individuals are requested by August 21, 2020.

LAFCo prepared comprehensive SOI studies and adopted SOIs for cities and special districts in 1985 and has 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 Local Government Reorganization Act of 2000 (CKH Act) and the new requirement to prepare MSRs in conjunction with or prior to SOI updates, LAFCo began the process of preparing MSRs and SOI updates in late 2003. Studies were first prepared on sub-regional and county-wide independent special districts, followed by South County cities and special districts. The most recent MSR for SMRCD was completed in 2006.

As the first soil conservation district in California, San Mateo Resource Conservation District was formed in 1939 to provide local soil conservation functions in partnership with the newly established Federal Soil Conservation Service. Recently, the District changed its name to the San Mateo Resource Conservation District, removing County from the title. Staff has updated the report to reflect that change and recommends that the District fill the appropriate "name change" documents with the State Board of Equalization.

The original SMRCD boundaries encompassed agricultural lands in northern San Mateo County. Coastal areas (less publicly owned lands and developed areas) were added to district boundaries in two subsequent annexations in 1942 and 1946. In 1954 several subdivisions from the District. Current District boundaries therefore have several "excluded pockets" but

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generally include western San Mateo County from the San Francisco-San Mateo County boundary to the Santa Cruz-San Mateo County boundary. The LAFCo adopted sphere of influence for the District is conterminous with District boundaries.

The District collaborates with landowners and managers, technical advisors, local jurisdictions, government agencies, and others to protect, conserve and restore natural resources in coastal San Mateo County. The District operates similar to a non-profit organization, in that it is primarily funded through grants and contracts. Many of its services and projects are driven by the availability of funding.

LAFCo staff met with RCD staff in November of 2019 to gather information regarding the District. This meeting focused on how the District receives funding and the types of programs undertaken.

Status of Previous MSR Recommendations

Since 2006, SMRCD has greatly expanded their staff and project portfolio. The 2006 MSR had several recommendations:

- 1) Potential inclusion of previously excluded urbanized area in the Midcoast that benefits from District services.

Status: While no action has been taken to annex these urbanized Midcoast areas, SMRCD continues to support projects and programs that benefit the Midcoast.
- 2) Implementing other revenue such as impact fees on development in District boundaries that impact demand for District services.

Status: The majority of projects and programs undertaken by the District are grant funded and do not rely on fees for service.
- 3) Use by the District of the County Controller of District accounting and banking of District funds.

Status: Per the District, there were attempts to share services with the County, however, these efforts did not result in cost savings or greater efficiency. This District does partner with other RCDs regularly.
- 4) Adoption of fee schedule to raise revenues and encourages participation in resource conservation.

Status: The District adopted a Cost Allocation Methodology policy and a targeted billing rate.
- 5) The District and NRCS should continue to share facilities to reduce operating costs and streamline services.

Status: The District and NRCS continue to share a facility at their new office at 80 Stone Pine Road in Half Moon Bay. District staff, their Board, and NRCS fully support this sharing agreement and well as the continued coordination between the two agencies.
- 6) The District should examine if additional efficiencies of service can be obtained by expanding board membership from five to seven members to allow for more opportunities for volunteer services in program development and implementation.

Status: Per the District, there is no interest to expand the board at this time.

- 7) The District should prioritize update of the long-range work program and annual plan to provide for better program and fiscal planning and accountability to the public.

Status: The District is operating under a three-year long-range work plan from 2017. SMRCD is currently in the process of drafting an updated work plan. budget documents available on the District's website

- 8) The District's work improves overall accountability of agricultural and resource management between agencies and promotes collaboration between government, private agencies, and landowners.

Status: The District maintains strong partnerships with a variety of private individuals, businesses, farmers, ranchers, non-profits and special districts. The District also works with public partners, including Federal, State, County and city governments. he District continues to a be a valuable resource in the area of agricultural and resource management in San Mateo County.

Current Key Issues

Key issues identified in compiling information on SMRCD include the following:

- 1) SMRCD, relies heavily on grant funding sources and contracts for projects with government agencies, which can lead to a budget that can have a great degree of variance from year to year. Grants and contracts generally come with very specific requirements regarding how the funds can be utilized.
 - 1) Grants and contracts generally come with very specific restrictions on how the funds can be utilized.
 - 2) As the majority of funding is project and work product dependent, an increase in grant funding always results an increase in workload. So, if there is an increase in staff to meet demand, the new positions are contingent on specific, limited funding sources.
- 3) SMRCD is unique from other special districts in the County, and in some cases the State, because the District operates with minimal property tax revenue due to the fact that much of the lands included in the district are undeveloped and of low assessed value, under Williamson Act, or owned by public or non-profit entities. Current boundaries result from district detachments of lands in Daly City, Broadmoor, South San Francisco, the unincorporated San Mateo County Midcoast, and Pacifica that were subdivided and developed. The District also receives approximately 4.75% of the 1% property tax for parcels within its boundaries, a low overall percentage compared to other agencies.
- 4) Due to the limited amount of non-grant funding received by the District, RCD is constrained in its ability to adequately fund general administration and build a reserve. Potential opportunities for shared services (human resources, finance) with

other agencies to create savings/efficiencies and ways to augment general fund revenues (annexation accompanied by property tax transfer) should be explored.

- 5) Practices to balance the budget include leveraging resources with the National Resources Conservation Service and limited revenue enhancement and in-kind contribution from the County.

Proposed MSR Recommendations

As required by State law, there are seven areas of determination, including local policies as set forth in Section 56430.

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.
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 SOI.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy including the following:
 - i. Water Resiliency and Climate Change
 - ii. Impact of Natural Hazards and Mitigation Planning

For the Circulation Draft, LAFCo has the following recommendations:

1. That the District continue to undertake projects that improve the natural environment for all residents, including those of lower socioeconomic status, that are located within the service area of the District.
2. The District should create annual reports that capture the achievements of efforts that the District has undertaken. The District has stated that it is currently working to create a multi-year impact report.
3. The County and the District could consider annexation of areas already served by the District accompanied by a property tax transfer that would result in a permanent revenue augmentation in lieu of annual grants. These areas could include communities that receive RCD services or contribute to runoff are within district boundaries and generate property tax revenue for the District.
4. The District should consider creating defined billable rates and fees for RCD staff for non-grant funded projects.

5. The District should consider utilizing footnotes or other budget narrative that could be posted along with each fiscal year's budget. These notes should help explain what specific programs make up each budget category. A narrative or notes could also increase transparency by identifying who the grant funders are. The narrative should also include information about the number and types of staff currently employed by the District and the types of costs that are allocated to program categories compared to personnel categories. These notes or narrative should be shown on the budget document available to the public on the District's website.
6. The District should consider expanding its financial polices to cover additional topics, such as budget preparation process, audit requirements, and debt management practices, and employee compensation (including the allocation of District funds to employee 401ks).
7. While the District does currently have a reserve policy and has allocated funds to it, the District may wish to adopt a reserve amount or percentage of the administrative operating budget that could be allocated every year as part of the budget process. The 2020 and 2021 fiscal year budget shows the amount of the reserve fund. The District could provide footnotes or narrative about how the reserve is funded to increase transparency with the public.
8. The 2006 MSR recommended that the District consider resource sharing with other special districts, the county or other RCDs to compensate for limited staffing. The District indicates they have repeatedly attempted to do so and with the exception of communications they have not found other opportunities to be feasible and that a new revenue source is necessary. Due to the economic impacts to all local agencies due to COVID-19 and the shelter in place requirements, LAFCo suggests that the District seek ways to allocate additional funding for administrative staff and tasks or to explore opportunities to share a position with another local agency or district to share services. This could include the annexation of territory with a property tax transfer to permanently augment revenue.
9. The District should complete independent audits for 2019 and produce annual reports and a narrative for the annual budget and display them on the District's website to increase the district's financial transparency and raise public awareness of the projects that the District undertakes.
10. The District should prioritize update of the long-range work program and annual plan to provide for better program and fiscal planning and accountability to the public.
11. LAFCo encourages the District to have the SMRCD Board review all contracts and grant funding opportunities prior to the acceptance of the funds.
12. LAFCo suggests posting the audio or video of the Board meetings on the District's website.
13. LAFCo encourages RCD to explore revenue sources to fund on-going administrative costs and place funds into the Districts reserve. Potential options may include future SOI amendments and annexations to the District that would include a property tax transfer.

14. LAFCo encourages the District to continue its work in the areas of water resilience, climate change, and natural hazards mitigation.

Sphere of Influence Determination

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(e)):

- 1) The present and planned land uses in the area, including agricultural and open-space lands.
- 2) The present and probable need for public facilities and services in the area.
- 3) The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
- 4) The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
- 5) For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Comments on MSR Administrative Draft

San Mateo LAFCo requested comments from RCD on the administrative draft, focusing on confirming the accuracy of information within the report. The District provided comments on July 7, 2020. The District provided both comments on factual information within the report along with additional substantive remarks that best serve as comments the District can submit on the circulation draft. Corrections and comments on factual information from RCD have been incorporated into the attached circulation draft. Further comments from the District and interested parties can be included in the final MSR as appropriate.

In addition, in the course of preparing the administrative and circulation draft documents, it became apparent that several documents or portions of documents cited by the District when they commented on the administrative draft were not on the RCD website. The District is currently working to correct this.

California Environmental Quality Act

The MSR is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for the of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The MSR collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The MSR also is exempt from CEQA under the section 15061(b)(3), the common sense provision, which state that CEQA applies only to projects which have the potential for causing a

significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA.

The MSR and SOI update will not have a significant effect on the environment as there are no land use changes associated with the documents.

Recommendation

1. Open the public hearing and accept public comment
2. Provide Commissioner comment
3. Direct the Executive Officer to schedule the Final Municipal Service Review for the San Mateo Resource Conservation District for a public hearing at the September 16, 2020 Commission meeting and circulate it with any necessary amendments to the County, cities, and independent special districts.

Attachment: Municipal Service Review Circulation Draft for the San Mateo Resource Conservation District