Item 7

SAN MATEO LAFCo
LOCAL AGENCY FORMATION COMMISSION
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October 14, 2020

To: LAFCo Commissioners

From: Martha Poyatos, Executive Officer M. Poyatos

Subject: Consideration of Adoption of a Municipal Service Review for the San Mateo Resource Conservation District

Recommendation:

At the July 8, 2020 LAFCo meeting, the Commission reviewed the Circulation Draft of Municipal Service Review for the San Mateo County Resource Conservation District (RCD) and staff subsequently circulated the MSR for comments. The attached Final Municipal Service Review (MSR) reflects comments where appropriate and a table of comments and responses is included as Attachment B, along with copies of the comment letters. Staff recommends that the Commission consider the report and public comment and approve the Final Municipal Service Review for the San Mateo County Resource Conservation District.

Background

Government Code Section 56430 requires that LAFCos prepare municipal service reviews for cities and special districts prior to or in conjunction with sphere of influence updates. The first MSR for SMRCD was completed in 2006.

As the first soil conservation district in California, San Mateo RCD 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.

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 were detached from the District. Current District boundaries therefore have several "excluded

pockets" but 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. Description of district activities and projects is covered later in this report. 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.

Staff's preparation of the MSR included meeting with District staff, a written request for data and documents, preparation of an administrative draft for review by the District and Circulation of the draft document for comments. The attached Final Municipal Service Review of the San Mateo Resource Conservation District incorporates comments where appropriate.

Status of Previous MSR Recommendations

The 2006 MSR included several recommendations. Since 2006, SMRCD has greatly expanded their staff and project portfolio. The following is the status of those 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 are 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. The 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 preparing this MSR for 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.

2) Grants and contracts generally come with very specific restrictions on how the funds can be utilized.

3) As the majority of funding is project and work product dependent, an increase in grant funding always results in 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.

4) 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 resulting from district detachments in Daly City, Broadmoor, South San Francisco, the unincorporated San Mateo County Midcoast, and Pacifica upon subdivision and development. 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.

5) 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.

6) 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 Determinations and 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

The following are the proposed determinations and recommendations for the SMRCD MSR:

Growth and population projections for the affected area.

Determination

At this time the RCD's territory, which includes most of the unincorporated areas of San Mateo County along with portions of six cities, is not projected to experience any significant development or population growth that might impact the District's ability to deliver resource conservation services, as the majority of services are in the rural unincorporated areas of the County, where projected growth is low.

Recommendation

No recommendations.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.

Determination

The RCD does not provide water, sewer or structural fire protection services; therefore, the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendation

1) LAFCo supports the District's undertaking of projects that improve the natural environment for all residents, including those of lower socioeconomic status.

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.

Determination

The RCD provides natural resource conservation services throughout San Mateo County. LAFCo staff has no concerns regarding the District's capacity to provide services, or the adequacy of its services. Several partner agencies submitted letters during the comment period attesting to the value of the services and programs that the District provides. The SMRCD has been recognized as a statewide leader in providing resource conservation services. Additionally, the District has no near-term infrastructure or equipment needs that may impact its ability to provide services.

Because there are a number of efforts that RCD is involved in, an annual report and related documents could allow interested parties a better understanding of what type of projects and work the District undertakes. Per District staff, these types of reports have not been produced due to inadequate funding for this work and according to the District 2020 is the first year there will be funds budgeted to do so. SMRCD was able to hire an Administrative Officer in 2018. This staff person is the District's business manager, office manager, contract manager, bookkeeper, HR manager, web master, and clerk to the Board of Directors.

Recommendation

2) The District is encouraged to prepare 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 with district boundaries and generate property tax revenue for the District.

Financial ability of agencies to provide services.

Determination

Overall, audits and practices indicate that the San Mateo Resource Conservation District engages in sound financial management practices, including adopting an annual budget, commissioning independent audits, maintaining an appropriate level of debt, and charging rates for its services. The majority of revenue for SMRCD is grant funding that has specific

requirements about how it is allocated, fluctuates from year to year, and delayed payments can affect cash flow and ability to support RCD operations. The issue of unstable revenues is unlikely to change given the nature of its services. The District is encouraged to consider implementing some of the recommendations below stabilize annual cash flow.

Recommendations

4) The District should consider creating defined billable rates and fees for RCD staff for non-grant funded projects and place the billable rates on the District's website.

5) 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.

6) 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.

7) 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).

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. For this reason and due to the economic impacts to all local agencies due to COVID-19, 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 an accompanying property tax transfer to permanently augment revenue.

Status of, and opportunities for, shared facilities.

Determination

SMRCD currently maintains a multitude of partnerships (with private individuals, businesses, farmers, ranchers, non-profit organizations, special districts, and government agencies) in order to share services, facilities, resources and expertise as appropriate. LAFCo staff is not aware of any governance restructure options that will increase efficiencies, but has identified an opportunity for shared services.

Recommendation

9) As noted in the Financial Ability discussion, in response to the potential financial impact that all government agencies may face due to COVID-19 and shelter in place, the District may wish

to consider opportunities for additional shared services, when appropriate, for administrative functions. In circumstances where additional staff capacity is necessary, but the District cannot afford to fund a full-time position, the District may wish to explore opportunities to share a position with another local agency or district.

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

Determination

SMRCD has frequent and publicly accessible meetings that are publicized in accordance with the Brown Act. The District adopts annual budgets, completes annual independent audits, and currently has a full and tenured Board of Directors. LAFCo staff is not aware of any potential changes to the District's governance structure or boundaries that will increase accountability, enhance services or eliminate deficiencies. However, LAFCo staff did identify opportunities for the RCD to increase transparency, efficiency and organizational stability, as discussed in the recommendations below.

Recommendations

10) 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.

11) 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.

12) LAFCo encourages the District to have the SMRCD Board review all contracts and grant funding opportunities prior to the acceptance of the funds.

13) LAFCo suggests posting the audio or video of the Board meetings on the District's website.

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

Determination

RCD often provides services within territory where they do not receive any property tax to fund this work. This, in conjunction with the low amount of non-grant funding the District receives, has led to difficulties in allocating funding to the District reserve and to non-project administrative tasks and staff.

The RCD is engaged in a number of projects that support water resilience, climate change, and natural hazards mitigation. The majority of projects that RCD undertakes have multiple benefits within both the natural and built environments.

Recommendations

14) LAFCo encourages RCD to explore revenue sources to fund on-going administrate 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.

15) 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.

It is recommended that the sphere of influence update for RCD be considered at the Commission's November 18 meeting.

Comments on MSR Circulation Draft

San Mateo LAFCo requested comments on the circulation draft MSR from interested parties and agencies. The memo requesting public comments was sent to all agencies in the boundaries of RCD as well as the individuals and agencies on RCD's agenda distribution list. Nine comments were received during the comment period. These include comments from SMRCD, CAL Fire, Midpeninsula Regional Open Space District, National Oceanic and Atmospheric Administration, San Mateo County Parks Department, Natural Resources Conservation Service, and three residents.

Comments from RCD focus on responses to the recommendations from the Circulation MSR, shared services, the use of San Mateo County contributions, the limited amount of property tax the District receives, and the partnerships that RCD has built with other public agencies to undertake numerous projects.

Letters from other public agencies highlighted the work that has been undertaken in collaboration with the District. Information about these projects has been included in final version of the MSR.

The three letters for residents emphasize the importance of the projects that RCD works on and the MSR focus on the areas required by CKH. Attachment B includes the responses to each comment letter received.

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 and circulation 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; and
2) Accept the Final Municipal Service for the San Mateo Resource Conservation District; and
3) Adopt the Municipal Service Review Determinations and Recommendations contained in this report; and
4) Direct staff to set a hearing on November 18, 2020 for consideration of the Sphere of Influence for the San Mateo Resource Conservation District.

Attachments:

A. Municipal Service Review Final for the San Mateo Resource Conservation District
B. Response to comments and copies of comment letters

Final
LAFCo Municipal Service Review
and Sphere of Influence Update
San Mateo Resource Conservation District
October 14, 2020

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EXECUTIVE SUMMARY

The following Municipal Service Review (MSR) focuses on the San Mateo Resource Conservation District (SMRCD). 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. The previous MSR for SMRCD was completed in 2006. Since 2006, SMRCD has greatly expanded their staff and project portfolio.

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.

As part of this current MSR, several key issues have been identified. SMRCD is unique among special districts in the County as the District relies heavily on grant funding sources instead of property tax or charges for service. This reliance for grant funding dictates workload and staffing levels for the District. As a result, RCD is constrained in its ability to adequately fund general administration and build a reserve. A number of the recommendations in the MSR focus on potential options for expanded property tax revenue and additional shared services.

Through conservations with the District and comment letters from the public and other government agencies, information was provided regarding the projects and programs provided by the District, financial information, policies, and the District's partnerships with public agencies. The MSR highlights the District's various areas of focus and makes recommendations regarding the creation of annual reports and a budget narrative or footnotes to allow the District to bring these programs to the attention of the public and to increase transparency.

Section 1: Overview

This report is a municipal service review (MSR) and sphere of influence (SOI) update for the San Mateo County Resource Conservation District (SMRCD). California Government Code Section 56430 requires that the Local Agency Formation Commissions (LAFCos) complete MSRs and SOI reviews on all cities and special districts. LAFCo is an independent entity with jurisdiction over the boundaries of cities and special districts. An SOI is a plan for the boundaries of a city or special district. The MSR and SOI update do not represent a proposal[1] for reorganization of agencies, but rather a State-mandated study of service provision in regard to the following seven areas of determination as set forth in Section 56430:

1. Growth and population projections for the affected area

[1] An application for annexation may be submitted by 5 percent of the voters or landowners of territory proposed for annexation or by resolution of the District.

2. The location and characteristics of any disadvantaged unincorporated communities[2] 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

    Safe, adequate, reliable, and resilient water supplies are fundamental to the County. The Commission supports governance models that enhance and provide a more robust water supply capacity (including, but not limited to, recycling, desalination, and storm water recapture) in the County. The Commission will consider how water-related requests for sphere of influence, boundary, or service modification affect the Commission's interests.

    Resiliency to climate change is important to the health, safety, and economic prosperity of the County. The Commission supports multi-agency collaboration and governance models that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change. The Commission will consider the extent to which the agency under study is planning for sea level rise, climate change, and water resiliency.

    ii. Impact of Natural Hazards and Mitigation Planning

    Analysis will include a review of natural hazards that may impact the jurisdiction, including wildfire, earthquakes, and flooding. Source data such as a general plan, hazard mitigation plan, land use maps, FEMA maps, and CAL Fire maps will be used to as part of this analysis.

Once adopted, the service review determinations are considered in reviewing and updating the SOI pursuant to Section 56425. The SOI, which serves as the plan for boundaries of a special district, is discussed in the second part of this report. This State-mandated study is intended to identify municipal service delivery challenges and opportunities and provides an opportunity

[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. This area of determination does not apply to the study area.

for the public and affected agencies to comment on city, county, or special district services and finance; and opportunities to share resources prior to LAFCo adoption of required determinations.

San Mateo Local Agency Formation Commission

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

The Commission includes two members of the County Board of Supervisors, two members of city councils from 20 cities, two board members of 21[3] of the 22 independent special districts, a public member, and four alternate members (county, city, special district, and public). LAFCo adopts a budget and contracts with the County of San Mateo for services. The Executive Officer, Management Analyst and half-time Clerk serve as LAFCo staff, reviewing boundary change applications and preparing MSRs and SOI studies. LAFCo's net operating budget is apportioned in thirds to the County of San Mateo, the 20 cities, and the 21 independent special districts.

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 first MSR for RCD was completed in 2006.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County, 20 cities, 22 independent special districts, five subsidiary districts governed by city councils, and 33 County-governed special districts. It merits emphasis that the County plays a dual role that differs from cities or districts. Districts provide a limited set of services based on enabling legislation, while cities generally provide basic services such as police and fire protection, sanitation, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. Along with independent water, sewer, and fire districts, the County also provides basic

[3] Midpeninsula Regional Open Space (MROSD) is not an appointing district because the majority of its territory is in Santa Clara County.

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

Purpose of a Municipal Service Review/Sphere of Influence Update

This MSR/SOI Update examines the San Mateo Resource Conservation District.

LAFCo prepares the MSR and 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 MSRs and SOI Updates are then circulated to the agencies under study and interested individuals and groups. The Final MSR and SOI update will include comments on the circulation draft and recommended determinations for Commission consideration. MSR determinations must be adopted before the Commission updates or amends an SOI.

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.

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

The SOI designation for SMRCD is coterminous with District boundaries which include areas of unincorporated San Mateo County and portions of San Mateo County watersheds that drain into the Monterey Bay National Marine Sanctuary and the James V. Fitzgerald Area of Special Biological Significance.

Disadvantaged Unincorporated Communities

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to "disadvantaged unincorporated communities," including the addition of SOI determination #5 listed above. Disadvantaged unincorporated communities, or "DUCs," are inhabited territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income.

CKH Act Section 56375(a)(8)(A) prohibits LAFCo from approving a city annexation of more than 10 acres if a DUC is contiguous to the annexation territory but not included in the proposal, unless an application to annex the DUC has been filed with LAFCo. The legislative intent is to prohibit "cherry picking" by cities of tax-generating land uses while leaving out under-served, inhabited areas with infrastructure deficiencies and lack of access to reliable potable water and wastewater services. DUCs are recognized as social and economic communities of interest for purposes of recommending SOI determinations pursuant to Section 56425(c).

Section 2. Summary of 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.
2) Grants and contracts generally come with very specific restrictions on how the funds can be utilized.
3) 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.
4) 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.
5) 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.

6) 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.

7) RCD boundaries do not reflect all areas that benefit from District programs and services. Nor do they reflect areas that contribute to runoff affecting areas within district boundaries.

1)

Section 3: San Mateo Resource Conservation District

Background

As the first soil conservation district in California, San Mateo Resource Conservation District (SMRCD) was formed in 1939 to provide local soil conservation functions in partnership with the newly established Federal Soil Conservation Service. While the district's original purpose was to manage soil and water resources for conservation, these powers were expanded in the early 1970s to include "related resources," including fish and wildlife habitat. This expansion of powers resulted from legislation in 1971 that changed the name from "Soil" Conservation Districts to "Resource" Conservation Districts. The District was renamed the San Mateo Resource Conservation District in 2020.

As stated by the State Association of Resource Conservation Districts, RCDs work to be relevant, excellent, and visible go-to hubs for natural resource conservation and agriculture on public and private lands at local, regional, state, tribal, and federal levels. RCDs were designed to evolve with the changing needs of people and the land, to ensure that California is home to thriving and resilient communities, landscapes, and economies.

Boundaries

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 including Broadmoor, Westlake, and areas in South San Francisco and Pacifica were detached from the District. Current District boundaries therefore have several "excluded pockets" but generally include western (primarily unincorporated)[4] 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 (Attachment A).

[4] RCD boundaries exclude most of the urbanized areas including much of the City of Half Moon Bay and the urban Midcoast.

Enabling Legislation

SMRCD operates according to Public Resources Code Sections 9000 et seq. and is authorized to: conduct surveys and research relating to conservation of resources, prevention and control measures and improvements needed; development and distribution of water; make improvements or conduct operations on public or private lands in furtherance of erosion control, water conservation and distribution, agricultural and wildlife enhancement, erosion stabilization, including but not limited to terraces, ditches, levees, and dams or other structures and the planting of trees, shrubs, grasses or other vegetation; and provide public education and technical assistance. As a public resource agency the District does not have regulatory power, but is designated by the County Grading Ordinance adopted by the Board of Supervisors to review certain applications for grading permit exemptions related to development in unincorporated areas.

Mission Statement

The adopted mission statement of SMRCD is to help people protect, conserve, and restore natural resources through information, education, and technical assistance programs.

Structure and Governance

SMRCD is governed by a five-member Board of Directors appointed by the San Mateo County Board of Supervisors. The District derives its powers and purpose from State law and functions independently of County government. Its service area includes portions of Daly City, Colma, South San Francisco, Pacifica, San Bruno, Montara, Moss Beach, and Half Moon Bay, plus areas of unincorporated San Mateo County and San Mateo County watersheds that drain into the Monterey Bay National Marine Sanctuary.

The SMRCD Board may consist of five, seven, or nine directors. The 2006 MSR noted that because the Board is traditionally an active volunteer board participating on committees related to programs and projects, expansion of the board from five to seven members would supplement staff resources without increases in expenditures. Since that time, the District is on sounder financial ground and has been able to increase staffing levels from 1.5 full-time employees to 16 employees.

The Board of Directors meets regularly the third Thursday of every month at 4:00 pm at the District Office 80 Stone Pine Road, Suite 100 Half Moon Bay, California 94019.

Agendas, staff reports, and minutes are available on the District's website. The District publishes a newsletter that is available on their website and by email subscription.

Services and Projects

The District collaborates with landowners and land managers, technical advisors, local jurisdictions, government agencies, and others to protect, conserve and restore natural resources in coastal San Mateo County. The District includes over 157,000 acres of mostly rural, agricultural, and open space lands in the western half of the County and includes significant

portions of all watersheds in San Mateo County draining into the Monterey Bay National Marine Sanctuary (Attachment B - Watershed Map).

Resource conservation districts have a close working relationship with the US Department of Agriculture (USDA) Natural Resource Service (NRCS). Through the local RCD an NRCS conservationists and other specialists provide technical assistance to local landowners and land managers. The RCD acts as a liaison between local property owners and land management organizations and the NRCS federal program administration. The California Association of Resource Conservation Districts describes the relationships of local conservation districts and the NRCS as: a unique partnership to work with private landowners and operators to deliver the technical and financial assistance needed to help them apply complex conservation treatments to control erosion and improve the quality of our soil resources; protect and improve water and air quality; enhance fish and wildlife habitat; and manage woodlands, pasture lands and range lands.

The San Mateo Resource Conservation District provides comprehensive, integrated services addressing wildlife, water, climate, and agriculture**.** 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. Currently, the District has a wide variety of active projects, as listed below:

Projects and Programs

SMRCD works in voluntary partnership with public and private landowners to implement conservation and restoration projects that primarily address resiliency to climate change, wildlife habitat improvement, enhanced ecosystem function, water conservation, soil erosion control, forest health and fire resilience, and agricultural viability. Since the last MSR in 2006, SMRCD has greatly expanded their staff and project portfolio. Landowners receive technical assistance provided both in-house by RCD and by NRCS, through a longstanding partnership formalized through a memorandum of understanding (MOU). SMRCD's role is to identify community and natural resource priorities; bring the various stakeholders to the table; coordinate the design and implementation of conservation projects; help find and manage funds for projects; and provide technical assistance, outreach and education.

RCD has categorized their projects and programs into the following areas:

Water supply and conservation -

RCD ensures that there is water for fish, farms, and people through technical assistance and implementation of projects that conserve water, strategically manage water, and store water to balance competing demands on limited local water supplies. To accomplish these goals the District works with local utilities, small local mutual water companies, County and State parks and campgrounds, farmers and ranchers and greenhouse operations, cemeteries, and more.

Water quality –

RCD is engaged in programs that support clean creeks, beaches, and the ocean for humans and wildlife by working with property owners, land managers, and other stakeholders such as marinas, farms, ranches, parks, homeowners, cities, equestrians, pet owners and advocates to protect water quality. Work includes water quality monitoring, technical assistance, education and outreach, and identifying, planning, and implementing best management practices. Many of these efforts assist agencies and landowners with meeting State or Federal required sampling.

Wildlife –

As stated by staff, the District is focused on threatened, endangered, and other special status species as well as pollinators and general ecosystem health. RCD provides technical assistance to land owners and land managers, including developing and implementing conservation plans for their properties, to enhance biological diversity and habitat value. The District also implements habitat restoration projects at different scales, from a small native plant hedgerow to invasive species eradication at different scales to a 100-acre floodplain restoration project to a nearly 2-mile dredge through Pescadero Marsh. RCD's water program enhances streamflow for endangered Coho salmon and threatened Steelhead trout as well as other aquatic species.

Climate –

The District works to build resilience to climate change and mitigate climate change. In terms of resilience and adaptation, RCD has projects that enhance refuge habitat for species to survive extreme conditions, reduce the impacts of flooding in the community of Pescadero, and help diverse landowners address catastrophic erosion and survive drought.

In the area of mitigation, the District has developed and implemented integrated conservation and carbon farm plans to assist agricultural and range lands reduce emissions and sequester carbon while enhancing other conservation values and continue as a viable agricultural operation. RCD also helps reduce green waste and scale composting and utilization of local compost.

Agriculture –

The RCD is host to the Agricultural Ombudsman for San Mateo County. This position provides technical assistance for farmers, ranchers, agricultural landowners, and other agricultural stakeholders to navigate and comply with regulatory requirements and to help the County be supportive of agriculture. This role includes economic development, urban farming, state policy, and serving on the steering committee of the local Food System Alliance.

Many of the District's conservation programs are delivered on agricultural lands, where the RCD seeks solutions for the environment and the production of food, fiber, and flowers.

The District is also the local host for the USDA Natural Resources Conservation Service, which brings free conservation technical assistance to our local constituents as well as cost-share for conservation from the US Farm Bill.

Forest Health and Fire Resilience -

The RCD coordinates San Mateo County's Fire Safe Council and fuel load reduction projects such as a community chipper program targeting priority neighborhoods in the County to help homeowners create and manage defensible space around homes and roads. The RCD also provides technical assistance to landowners to design, permit, and implement forest health and fuel load reduction projects; is developing programmatic permits and streamlined permitting tools for these types of projects; is coordinating implementation of fuel breaks along emergency access and evacuation routes; and is improving bridges and roads that are key emergency access and evacuation routes and in need of repairs. In January 2020, the San Mateo and Santa Cruz RCDs, in partnership with several public, private, and non-profit organizations, received a $5.3 million grant from CAL Fire to reduce potential wildfire fuel loads over 968 acres of forest and to reforest 80 acres of private and public lands across the Santa Cruz Mountains.

Most recently, the RCD played a role in the CZU Lightning Complex Fire affecting western San Mateo and Santa Cruz Counties. The District assisted with fire recovery by:

a. Working with the State's Watershed Emergency Response Team (WERT) to provide locally relevant data, maps, and modelling of sediment, hydrology, vegetation, etc. as they assess and evaluate areas of highest risk post-fire.
b. Providing site-specific technical assistance to property owners after fire, including assessing and repairing rural access roads and stream crossings and minimizing risk of catastrophic erosion, flooding, and increased fuel loads in burned areas.
c. Connecting people with technical and financial resources to recover agricultural infrastructure, domestic water systems, protect habitat and endangered species, and minimize post-fire natural disasters.

During the fire, the District partnered with CalFire and County Parks by rapidly repurposing crews and equipment from a current project for fire suppression activities, holding the line at Old Haul Road and preventing northern expansion of the fires towards La Honda and Woodside.

Education

SMRCD coordinates and collaborates to provide various adult and youth educational opportunities with the goal of natural resources management and stewardship.

Permitting

Regulations intended to protect natural resources often have the unintended consequence of providing disincentives for landowners to undertake conservation projects because the permit process is cumbersome, confusing, and costly with uncertain outcomes. In order to repair a stream bank to help habitat, for example, a landowner must acquire a minimum of eight separate permits from various Federal, State, and local regulatory agencies. SMRCD works with these agencies and other stakeholders to streamline the permit process.

Public Resources Code Section 9413 provides for adoption of annual and long-range work plans that address the full range of soil and related resource problems found within District boundaries. RCD is currently operating pursuant to a work schedule that is based on the length of time for each certain project. At the time of the writing of this report there is not a long-range work plan on the District website. Attachment C includes the project list for the District as of July 1, 2019.

Section 4: Affected Agencies

Per Government Code Section 56427, a public hearing is required to adopt, amend, or revise a sphere of influence. Notice shall be provided at least 21 days in advance and mailed notice shall be provided to each affected local agency or affected County, and to any interested party who has filed a written request for notice with the LAFCo Executive Officer. Per Government Code Section 56014, an affected local agency means any local agency that overlaps with any portion of the subject agency boundary or SOI (included proposed changes to the SOI).

The local government agencies that share territory with the RCD are listed alphabetically in the table below:

County/Cities	School Districts	County Service Areas	Independent Special Districts
County of San Mateo	Cabrillo Unified School District	County Service Area No. 7 (Sam McDonald Park)	Coastside County Water District
City of Daly City	Jefferson Elementary School District	County Service Area No. 11 (Pescadero)	Coastside Fire Protection District
City of Half Moon Bay	Jefferson High School District		Granada Community Services District

City of Pacifica	La Honda-Pescadero Unified School District	Coastside County Water District
		Midpeninsula Regional Open Space District
		Montara Water and Sanitary District
Town of Portola Valley	Pacifica School District	North Coast County Water District
City of San Bruno	Portola Valley Elementary School District	San Mateo County Harbor District
City of South San Francisco	San Bruno Park Elementary School District	San Mateo County Mosquito and Vector Control District
Town of Woodside	San Mateo High School District	West Bay Sanitary District
	Sequoia High School District	Westborough Water District
	South San Francisco Unified School District	Woodside Fire Protection District

Section 5: Potentially Significant MSR Determinations

The MSR determinations checked below are potentially significant, as indicated by "yes" or "maybe" answers to the key policy questions in the checklist and corresponding discussion on the following pages. If most or all of the determinations are not significant, as indicated by "no" answers, the Commission may find that a MSR update is not warranted.

	Growth and Population		Disadvantaged Unincorporated Communities
	Capacity, Adequacy & Infrastructure to Provide Services	X	Financial Ability
X	Shared Services	X	Accountability

X	Other

1) Growth and Population

Growth and population projections for the affected area.	***Yes***	***Maybe***	***No***
a) Is the agency's territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?			X
b) Will population changes have an impact on the subject agency's service needs and demands?			X
c) Will projected growth require a change in the agency's service boundary?			X

Discussion:

a-c) The SMRCD territory includes rural, sparsely populated unincorporated areas of Coastal San Mateo County, small portions of the urbanized unincorporated Midcoast, portions of unincorporated Los Trancos Woods and portions of the Cities of Daly City, Pacifica, South San Francisco, San Bruno, Half Moon Bay, and portions of the Town of Portola Valley. The population of areas within District boundaries is estimated at 100,000 residents. Because the County and City urban rural boundary in the majority of the study area limits water and sewer service to areas designated as urban, the majority of the population growth will be located within existing urban areas.

Specific population projections are not maintained for the area within District boundaries. The majority of demand for District services occurs in the rural, coastal zone consisting of the County's agricultural district, including significant crop and grazing lands as well as watersheds. While population growth in these areas is limited, changes in land use in the region in general, including recreational uses, will continue to impact the need for watershed and soil conservation.

RCD also conducts activities outside of their district boundaries, including areas in the Town of Colma, the City of Half Moon Bay, and the urbanized areas of Moss Beach, El Granada, and Montara as well as County-wide initiatives.

Growth and Population MSR Determination

At this time the RCD's territory, which includes most of the unincorporated areas of San Mateo County along with portions of six cities, is not projected to experience any significant development or population growth that might impact the District's ability to deliver resource conservation services, as the majority of services are in the rural unincorporated areas of the County, where projected growth is low.

2) Disadvantaged Unincorporated Communities

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence.	***Yes***	***Maybe***	***No***
a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection?			X
b) Are there any "inhabited unincorporated communities" within or adjacent to the subject agency's sphere of influence that are considered "disadvantaged" (80% or less of the statewide median household income)?			X
c) If "yes" to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if "no" to either a) or b), this question may be skipped)?			X

Discussion:

a-c) RCD does not provide water, sewer or structural fire protection services, therefore the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue. In addition, there are no identified Disadvantaged Unincorporated Communities within the boundaries of the SMRCD.

However, several activities that SMRCD undertakes do have direct impacts on a number of communities in the County, some of which may have lower socioeconomic status and the District has specific project and programs focused on underserved, low income and non-English speaking communities. RCD actions related to stormwater, water quality, and watershed management are programs that protect and enhance water resources for residents of the community, as well as native wildlife. The programs related to habitat enhancement and fire and forestry have positive impacts on the natural environment where these lower socioeconomic residents live.

Disadvantaged Unincorporated Communities MSR Determination

The RCD does not provide water, sewer or structural fire protection services; therefore, the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendations:

LAFCo supports the District 's undertaking of projects that improve the natural environment for all residents, including those of lower socioeconomic status.

3) Capacity and Adequacy of Public Facilities and Services

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence.	***Yes***	***Maybe***	***No***
a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory?			X
b) Are there any issues regarding the agency's capacity to meet the service demand of reasonably foreseeable future growth?			X
c) Are there any concerns regarding public services provided by the agency being considered adequate?			X

d) Are there any significant infrastructure needs or deficiencies to be addressed?			X
e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?			X
f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency's sphere of influence?			X

Discussion:

a-b) LAFCo staff is not aware of any issues with RCD's existing or future capacity to provide services. District staff reports that its current staffing level is adequate to keep up with its current projects, and the District is not experiencing a backlog of projects. The District operates much like a non-profit because it relies heavily on grant funding from local, state and federal agencies. This allows the District to adjust its staffing capacity to reflect its current funding level and needs. However, this can also be a burden, as a grant funded project may require the reallocation of work between staff or that a new position be recruited for.

c) LAFCo staff is not aware of any adequacy issues with the services provided by SMRCD. The RCD does not have any violations or compliance issues with regulatory agencies. Additionally, the majority of the District's services are funded through grants or contracts, which generally include standards of service and reporting requirements. Grantors and contractors would have the option of terminating their relationship with the District if they were unhappy with the services provided.

During the public comment period for the Circulation Draft MSR, several public agencies submitted comment letters including CAL Fire, Midpeninsula Regional Open Space District, National Oceanic and Atmospheric Administration, San Mateo County Parks Department, and Natural Resources Conservation Service. These comment letters agencies highlighted the work that has been undertaken in collaboration with the District.

CAL Fire has partnered with RCD in streamlining permitting for fuel reductions along the San Mateo County coast, collaborated on developing the 2009 Community Wildfire Prevention Plan for both San Mateo and Santa Cruz counties, and managed the San Mateo Fire Safe Council.

Midpeninsula Regional Open Space District (MROSD) supports a RCD staff position who works with private property owners surrounding MROSD preserves on invasive weed management and weed abatement programs. MROSD also highlights the role of RCD in working to advance efficiencies in permitting for environmental restoration programs.

The comments from National Oceanic and Atmospheric Administration (NOAA) highlights the work that the District has undertaken regarding the recovery of the endangered coho salmon and threated steelhead trout. Much of this work has been focused in the rivers and creeks around the Pescadero and San Gregorio area. NOAA makes note of the other watershed programs that RCD has been involved with, including the dredging of Butano Creek to restore fish habit and reduce flooding in Pescadero. The letter emphasizes the importance of RCD in bringing various government agencies, landowners, NGOs, and others to the table to get projects completed.

San Mateo County Parks commented that they have partnered with RCD on numerous occasions on projects that have had a positive impact on the ecology of County parks. This includes sediment reduction projects, the replacement of the water system for Memorial County Park, forest health and fire fuel reduction efforts, and creak and habitat restoration projects. Similar to other commenting agencies, County Parks notes the District's ability to navigate the regulatory and permitting process for these environmental restoration activities.

The Natural Resource Conservation Service has been a partner with RCD for many years. As noted in the Shared Service section of this MSR, NRCS has sharded positions and worked with the District on numerous projects. Staff from NRCS state that this partnership with SMRCD is viewed as a model of all of NRCS in California.

d) The District does not maintain any property, machinery or infrastructure, and does not have any needs related to these items. The District does not own any vehicles.

e) Staff is not aware of any state legislation on the horizon that will impact the District's ability to provide services.

f) As discussed in the Disadvantaged Unincorporated Communities section (Determination #2), the RCD provides resource conservation services to the majority of unincorporated San Mateo County. There are no Disadvantaged Unincorporated Communities in San Mateo County or within the service area of the RCD. SMRCD does not provide sewer, water or fire protection services, and is not involved in providing these municipal services for communities.

Capacity and Adequacy of Public Facilities and Services MSR Determination

The RCD provides natural resource conservation services throughout San Mateo County. LAFCo staff has no concerns regarding the District's capacity to provide services, or the adequacy of its services. Several partner agencies submitted letters during the comment period attesting to the value of the services and programs that the District provides. The SMRCD has been recognized as a statewide leader in providing resource conservation services. Additionally, the District has no near-term infrastructure or equipment needs that may impact its ability to provide services.

Because there are a number of efforts that RCD is involved in, an annual report and related documents could allow interested parties a better understanding of what type of projects and work the District undertakes. Per District staff, these types of reports have not been produced due to inadequate funding for this work and according to the District 2020 is the first year there will be funds budgeted to do so. SMRCD was able to hire an Administrative Officer in 2018. This staff person is the District's business manager, office manager, contract manager, bookkeeper, HR manager, web master, and clerk to the Board of Directors.

Recommendations:

The District is encouraged to prepare 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.

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 with district boundaries and generate property tax revenue for the District.

4) Financial Ability

Financial ability of agencies to provide service	***Yes***	***Maybe***	***No***
a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late?		X	
b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?		X	
c) Is the organization's rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?			X
d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?			X

e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?		X	
f) Is the organization's debt at an unmanageable level?			X

a) The RCD routinely adopts and operates on an annual budget with a budget cycle of July 1 through June 30. The annual budget is prepared by the Executive Director and the Finance Committee of the Board of Directors, and then presented to the full Board of Directors for adoption. Mid-year adjustments to the budget or spending in excess of the budgeted amount must be approved by the Board of Directors. Since the 2006 MSR, the District has made progress in the area of budgeting and finance. While the District has notes that there are footnotes that describe various aspects of the budget, the budget documents found on the District's website, including the 2021 budget, does not include a staff report or a budget narrative. The resolution adopting the budget is also not found on their website. The District receives annual independent audits, with the most recent audit being completed in September 2019 for the governmental activities and the major funds of the District as of June 30, 2018. The audit revealed no instances of non-compliance or material weakness in internal controls.

The District's revenue comes primarily from grants or contracts with public agencies, however this is not explicitly clear in the budget documents available on the District's website, as revenue is shown by program type, such as habitat enchantment or climate mitigation and adaptation, without stating where the program revenue is from. In the expenses portion of the budget, it is unclear if personnel salaries and fringe benefits are allocated to RCD's general fund or to specific programs. In the 2016 version of the budget, there were footnotes that explained each line item, but these footnotes were not utilized in subsequent budget documents that are available online.

SMRCD does have a policy regarding how costs are allocated to various programs, grants, contracts, and agreements. However, in the current format of the District's budget available on the District's website, the linkage between direct program costs and the funding allocated to a program is not clear. For example, program revenue for the Agricultural Ombudsman in 2019 was $41,657, while the program expense allocated was only $800.

The RCD is funded by a small share of the 1% property tax, limited fees for grading permit exemptions and intergovernmental revenue such as grants and NRCS contributions. The District notes that grants typically include limited or no funding for District administration and overhead related to grant implementation. The District received approximately 0.0475 of the 1% property tax or approximately $67,000 in the 2017-2018 fiscal year. While the District receives a small portion of property tax, RCD has stated that it is able to leverage more than $144 in grant funds for each dollar of property tax in Fiscal Year 2020.

Property tax revenues are limited because a significant portion of the lands within the District are undeveloped and of relatively low assessed value, and/or subject to Williamson Act (Land Conservation Act of 1965) and eligible for lowered property taxes if maintained in agricultural and certain open space uses, or is zoned Timberland Preserve Zone. A number of properties are also under the ownership of public agencies or non-profit land trusts, such as the County of San Mateo, Midpeninsula Regional Open Space District, California State Parks, National Parks, or the Peninsula Open Space Trust, the latter of which are either eligible for lowered property taxes or are exempt from property taxes due to non-profit status (Attachment D). The District also cites a loss of property tax revenues from excluded urbanized areas of the unincorporated Midcoast and Half Moon Bay that benefit from services of the district in upstream areas.

Resource Conservation District Budget Summary 2015-2020						
	FY 2015	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Revenues						
Programs	$1,930,312	$3,419,881	$3,843,339	$3,124,038	$7,224,289	$12,925,301
Taxes	$55,000	$57,000	$55,000	$60,000	$60,000	$65,000
County Contribution	$100,000	$100,000	$100,000	$125,000	$125,000	$200,000
Other	$7,500	$6,500	$20,500	$20,500	$20,500	$10,500
Total Revenues	$2,092,812	$3,583,381	$4,018,839	$3,329,538	$7,429,789	$13,200,801
Expenditures						
Salaries and Benefits	$527,397	$669,510	$877,880	$982,896	$1,076,009	$1,977,251
Services and Supplies	$93,200	$100,650	$102,000	$120,810	$191,750	$323,000
Programs	$1,366,830	$2,674,610	$2,963,939	$2,178,871	$6,159,043	$11,124,672
Total Expenditures	$1,987,427	$3,444,770	$3,943,819	$3,282,577	$7,426,802	$13,101,923
Revenue Less Expenditures	$105,385	$138,611	$75,019	$46,961	$2,987	$98,878

The District's revenue comes primarily from grants or contracts with public agencies for specific services, which are awarded under as program revenues in the budget summary above. Grants and contracts are generally not very stable and reliable, which leaves the District with budgets

that may fluctuate significantly from year to year. This includes contributions from San Mateo County that have provided for an administrate staff position, non-grant funded services, and for local matches for grants. Additionally, grants and contracts generally come with very specific requirements regarding how the money can be spent, which means that the District has little flexibility in how and when it allocations funds in its budget. The District's only stable and general purpose funding source is property taxes, of which it receives approximately $60,000 annually.

Having a lack of stable funding, combined with significant delays in payments on State bond-funded grants, may cause difficulty in allowing for the District to create long-term financial plans, and may cause fluctuations in the District's ability to pay for staffing and administrative functions that are not associated with grant funding. Per staff, this has also impacted the District's ability to allocate funds to their reserve.

As currently presented, the District's budget document available on their website is categorized into high-level program classifications such as Habitat Enhancement and Water Resources & Conservation. It is not clear what grants or specific programs are included in these high-level categories. While RCD does have a policy regarding a methodology that costs are allocated to personnel, operating, or program categories, the annual budget documents available to the public do not break expenses and revenue into these categories. In the Balance Sheet document, the liabilities, which are projects that RCD is undertaking, do not clearly align with the high-level program classifications.

b) In the approved 2020 and 2021 budget, allocations are made to a reserve fund for the District. However, additional information about what funds are allocated for this reserve would be useful for transparency. RCD has an approved Operating Reserve Policy that was adopted on May 18, 2017, but the document is not available on the District's website at the time of the writing of this report. The policy does not set a certain amount or percentage of funds that will be allocated to the reserve, but instead states how the reserve is funded and used.

District staff stated that the efforts to create a reserve fund are relatively recent. Per staff, the reason that the Reserve Policy does not have a specific percentage or amount set to allocate towards a reserve is that the District relies heavily on grant funding, which must be used on specific purposes and projects. These grant requirements restrict the District's abilities to use funds to place in the reserve account or allocate towards administrative functions.

c) The District does have targeted billing rates, but does not have a set fee schedule for projects. Per District staff, each of the various grants and contracts allows for different rates and types of overhead. When projects occur on private property, the cost of this work is covered by the specific grant funding allocated to the project and not from fees from the property owner.

d) The District does not maintain any property, machinery, vehicles, or infrastructure

e) The District has adopted nine financial policies, including:

- Financial Policy (2017)

- Bidding, Vendor, and Professional Consultant Selection and Purchasing (2014)
- Cost Allocation Methodology (2016)
- District Investment Policy (unknown date)
- Policy and Procedures for Reimbursement of Director and Employee Expenses (2015)
- Operating Reserve Policy (2017)
- Conflict of Interest Policy (2015)
- Fee for Service Policy (2015)
- Mileage Reimbursement Policy (2015)

Several of these policies are not currently on the District's website. In the course of preparing the administrative and circulation drafts, it became apparent several documents citied by the District were not on the RCD website and the District staff has stated that they are working to address this.

It may be helpful for the District to expand its financial polices to cover additional topics, such as budget preparation process, credit card policy, and employee compensation. Setting a specific reserve amount by amending the existing reserve policy may also lead to greater fiscal stability. Financial policies help to ensure the financial stability of an organization, and the District should work towards documenting all of its financial management practices.

f) According to District staff, the RCD does not have debt.

Financial Ability MSR Determination

Overall, audits and practices indicate that the San Mateo Resource Conservation District engages in sound financial management practices, including adopting an annual budget, commissioning independent audits, maintaining an appropriate level of debt, and charging rates for its services. The majority of revenue for SMRCD is grant funding that has specific requirements about how it is allocated, fluctuates from year to year, and delayed payments can affect cash flow and ability to support RCD operations. The issue of unstable revenues is unlikely to change given the nature of its services. The District is encouraged to consider implementing some of the recommendations below stabilize annual cash flow.

Recommendations:

The District should consider creating defined billable rates and fees for RCD staff for non-grant funded projects.

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.

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.

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).

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. For this reason and due to the economic impacts to all local agencies due to COVID-19, 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 an accompanying property tax transfer to permanently augment revenue.

5) Shared Service and Facilities

Status of, and opportunities for, shared facilities	***Yes***	***Maybe***	***No***
a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.	X		
b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?		X	
c) Are there any governance options that may produce economies of scale and/or improve buying power in order to reduce costs?			X

d) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?		X	

a) 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. In particular, the District maintains a strong partnership with the local service center of the USDA Natural Resource Conservation Service (NRCS), including a shared office space, partnerships on projects, and shared staff expertise. In September 2018, SMRCD and NRCS staff moved to a new office location at 80 Stone Pine Road, Suite 100 Half Moon Bay, California 94019. NRCS has a similar mission to the RCD, providing farmers and ranchers with financial and technical assistance to voluntarily engage in conservation practices.

The California Association of RCDs, NRCS, and individual RCDs have state level agreements in place regarding how the staff of both agencies work together in local field offices. In addition, RCD and NRCS in San Mateo County have a local agreement. NRCS provides a copy machine, office supplies, vehicles, a District Conservationist, an engineer, and a soil scientist. RCD provides office space and compatible staffing. RCD staff and Board of Directors are very supportive of the relationship of the District with NRCS.

The District contracts with the County of San Mateo Office of the County Counsel for legal representation and with Paragon Accounting LLC for accounting and payroll support.

b) The District maintains strong partnerships with many local organizations, and is always pursuing new partnerships. The District might benefit from expanding the use of shared staff positions, such as administrative staff, with partner agencies when appropriate to build additional capacity. Neighboring RCDs might be able to collaborate in areas of HR, web master, and other administrative duties that allow for economies of scale. While the District notes that these shared services have been explored previously, as all local governments are impacted by COVID-19 and the shelter in place orders, there now may be additional opportunities for shared services.

c) For the purposes of this study, LAFCo cannot identify options for governmental structure and reorganization of service providers.

Expanding District boundaries accompanied by a property tax transfer would provide the District with added operating revenue and offers the opportunity to adjust district boundaries to include developed areas that contribute to erosion and run-off the District is chartered to

mitigate. This could also provide additional revenue for non-project-based staff to augment the existing Administrative Officer.

d) The District states that it relies heavily on collaboration with NRCS and local agencies to implement the District's work program. Cost avoidance practices include sharing office space and resources in administration and management with NRCS and an appointed rather than elected board. Other cost avoidance practices and opportunities include solicitation of in-kind and volunteer services from various professionals.

Shared Services MSR Determination

SMRCD currently maintains a multitude of partnerships (with private individuals, businesses, farmers, ranchers, non-profit organizations, special districts, and government agencies) in order to share services, facilities, resources and expertise as appropriate. LAFCo staff is not aware of any governance restructure options that will increase efficiencies, but has identified an opportunity for shared services.

Recommendations:

As noted in the Financial Ability discussion, in response to the potential financial impact that all government agencies may face due to COVID-19 and shelter in place, the District may wish to consider opportunities for additional shared services, when appropriate, for administrative functions. In circumstances where additional staff capacity is necessary, but the District cannot afford to fund a full-time position, the District may wish to explore opportunities to share a position with another local agency or district.

6) Accountability, Structure, and Efficiencies

Accountability for community service needs, including governmental structure and operational efficiencies	***Yes***	***Maybe***	***No***
a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?			X
b) Are there any issues with filling board vacancies and maintaining board members?		X	
c) Are there any issues with staff turnover or operational efficiencies?		X	

d) Is there a lack of regular audits, adopted budgets and public access to these documents?		X	
e) Are there any recommended changes to the organization's governance structure that will increase accountability and efficiency?			X
f) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?			X
g) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?			X

a) SMRCD is governed by a five-member Board of Directors composed of local growers, conservationists, and landowners. The Board members are selected based in part on their experience as active conservation partners in the community, and are appointed to four-year terms by the San Mateo County Board of Supervisors. Board composition is intended to represent a broad spectrum of conservation interests and expertise.

The Board meets on the third Thursday of each month at 4:00 pm at the Resource Conservation District Office, and virtually during the COVID-19 pandemic. The District complies with all Brown Act requirements in publicly noticing its meetings.

The District has recently updated their website to include an agenda packet and meeting minutes archive that goes back to meetings from 2007. However, there are no audio or video recordings of the meetings published on the District's website.

b) The District has stated that while there are difficulties with recruiting new members to the volunteer Board of Directors, the District does not have issues with retaining the current members. TJ Glauthier, Neal Kramer, and Jim Reynolds, have been on the Board since at least 2009. Barbara Kossy has been on the Board since 2013 and had served in years previously. Adrienne Etherton was appointed in 2019 to complete the term of Kevin Watt. The majority of the Directors reside outside of the District's boundaries, which is permitted under Public

Resources Code Section 9352. These Directors are designated as an agent of a landowner within the boundaries of the District and thus are eligible to be appointed to the Board.

c) Staffing has been consistently between 10-15 full-time employees. Per the District, there has not been a high level of turnover among these positions. However, due to the dependence on grant funding for most positions, fluctuations in staffing levels in the future is always a possibility. Staffing needs for non-grant funded work can also be difficult to fill due to limited fiscal resources.

d) The District works to maintain transparency by receiving annual independent audits, and producing annual adopted budgets. Many of the District's work products are made available on its website and more information on the District can be requested through email, post, or in-person at the office. The District also produces 3 to 4 newsletters per year for interested parties, which provides additional information on District activities. However, the District no longer compiles annual reports nor is there a narrative to the annual budget. Per the District, they are currently compiling a multi-year report summarizing the District's actions.

In addition, the majority of agreements with other government agencies, such as the County of San Mateo, and other grantee agencies do not go to the SMRCD Board of Directors for approval. This would allow for greater transparency and allow the public to participate in the review of these agreements.

e-f) LAFCo staff is not aware of any possible changes to the RCD's governance structure that will increase accountability, enhance services or eliminate deficiencies. The RCD is the only special district providing resource conservation services within its boundaries and within the County.

g) The RCD boundaries do not overlap with any other districts providing resource conservation services. However, there are a number of public and private open space entities that operate within the service boundary of the District. In addition, the County of San Mateo Office of Sustainability services may overlap with RCD programs. Opportunities may exist to minimize duplication of efforts and streamline implementation of programs affecting

Accountability, Structure, and Efficiencies MSR Determination

SMRCD has frequent and publicly accessible meetings that are publicized in accordance with the Brown Act. The District adopts annual budgets, completes annual independent audits, and currently has a full and tenured Board of Directors. LAFCo staff is not aware of any potential changes to the District's governance structure or boundaries that will increase accountability, enhance services or eliminate deficiencies. However, LAFCo staff did identify opportunities for the RCD to increase transparency, efficiency and organizational stability, as discussed in the recommendations below.

Recommendations:

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.

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.

LAFCo encourages the District to have the SMRCD Board review all contracts and grant funding opportunities prior to the acceptance of the funds.

LAFCo suggests posting the audio or video of the Board meetings on the District's website.

7) Other

Any other matter related to effective or efficient service delivery, as required by commission policy.	***Yes***	***Maybe***	***No***
a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?		X	
b) Water Resiliency and Climate Change			
i) Does the organization support a governance model that enhance and provide a more robust water supply capacity?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change?	X		
c) Natural Hazards and Mitigation Planning			
i) Has the agency planned for how natural hazards may impact service delivery?	X		
ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all-natural hazards?	X		

a) Several RCD projects are countywide and located outside of the existing boundaries of the District. As previously stated, areas were detached from the District in South San Francisco, Pacifica, Daly City, Half Moon Bay, and unincorporated San Mateo County. As the District

continues to provide these services, RCD and LAFCo may want to explore expanding the District's SOI to allow for the potential annexation of additional territory. Within the boundaries of RCD, about 3% of the total parcels are owned either by a public agency, non-profit organization, or are under a Williamson Act contract. The District receives approximately 0.0475 of the 1 percent property tax or approximately $67,000 in the 2017-2018 fiscal year. This may provide for additional property that can be used for general administrative functions and provide revenue for the Districts newly created reserve fund. This could allow for greater stability for the District's on-going needs.

b.i) While the District is not a water supply agency, RCD is engaged in a number of projects that focus on water supply. The RCD supports water quality efforts focused on clean creeks, beaches and the ocean for humans and wildlife. The District also undertakes water projects that assists farmers and property owners, particularly in southern coastal area of the County, to conserve, manage, and store water and improve local water infrastructure. To complete these projects, the District has built upon existing partnerships with the local, state, federal, and non-governmental organizations for both funding opportunities and project delivery.

b.ii) SMRCD is heavily involved in preparing for both sea level rise and climate change in San Mateo County. SMRCD is exploring carbon farming which enable agricultural operations to increase carbon sequestration and reduce greenhouse gas emissions. These practices can benefit farms and ranches by improving soil health as well as increasing the resilience of these operations. The District is also undertaken creek and habitat restorations projects, biochar field trials, and manage vegetation in the County. All these efforts are coordinated with numerous partner agencies and with the cooperation of local land owners.

c.i-c.ii) The District does not own any infrastructure or territory that would be impacted by natural hazards, however, SMRCD has entered into partnerships with numerous agencies that would be directly affected by natural disasters. SMRCD led an effort to reduce flooding events in Pescadero through a multipronged approach that included restoring historic floodplains and dredging Butano Creek Channel. While also lessening the risk of flooding in the community, the project also improved the habitat for endangered and the threatened species.

RCD is also assisting the County of San Mateo Office of Sustainability in outreach and engagement regarding a sea level rise vulnerability assessment for the south coast region. As climate change alters the magnitude and frequency of natural hazards, these efforts will also allow agencies to become more resilient to these changes.

In addition to these activities, RCD also undertakes a number of actions related to fire resilience such as coordinating San Mateo County's Fire Safe Council and fuel load reduction projects including a community chipper program targeting priority neighborhoods in the County for fuel load reduction to help homeowners create and manage defensible space around homes and roads.

Other Issues MSR Determination

RCD often provides services within territory where they do not receive any property tax to fund this work. This, in conjunction with the low amount of non-grant funding the District receives,

has led to difficulties in allocating funding to the District reserve and to non-project administrative tasks and staff.

The RCD is engaged in a number of projects that support water resilience, climate change, and natural hazards mitigation. The majority of projects that RCD undertakes have multiple benefits within both the natural and built environments.

Recommendations:

LAFCo encourages RCD to explore revenue sources to fund on-going administrate 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.

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

8) MSR Determinations and Recommendations

Growth and population projections for the affected area.

Determination

At this time the RCD's territory, which includes most of the unincorporated areas of San Mateo County along with portions of six cities, is not projected to experience any significant development or population growth that might impact the District's ability to deliver resource conservation services, as the majority of services are in the rural unincorporated areas of the County, where projected growth is low.

Recommendation

No recommendations.

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.

Determination

The RCD does not provide water, sewer or structural fire protection services; therefore, the provisions of SB 244 do not apply, and Disadvantaged Unincorporated Communities are not an issue.

Recommendation

1) LAFCo supports the District's undertaking of projects that improve the natural environment for all residents, including those of lower socioeconomic status.

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.

Determination

The RCD provides natural resource conservation services throughout San Mateo County. LAFCo staff has no concerns regarding the District's capacity to provide services, or the adequacy of its services. Several partner agencies submitted letters during the comment period attesting to the value of the services and programs that the District provides. The SMRCD has been recognized as a statewide leader in providing resource conservation services. Additionally, the District has no near-term infrastructure or equipment needs that may impact its ability to provide services.

Because there are a number of efforts that RCD is involved in, an annual report and related documents could allow interested parties a better understanding of what type of projects and work the District undertakes. Per District staff, these types of reports have not been produced due to inadequate funding for this work and according to the District 2020 is the first year there will be funds budgeted to do so. SMRCD was able to hire an Administrative Officer in 2018. This staff person is the District's business manager, office manager, contract manager, bookkeeper, HR manager, web master, and clerk to the Board of Directors.

Recommendation

2) The District is encouraged to prepare 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 with district boundaries and generate property tax revenue for the District.

Financial ability of agencies to provide services.

Determination

Overall, audits and practices indicate that the San Mateo Resource Conservation District engages in sound financial management practices, including adopting an annual budget, commissioning independent audits, maintaining an appropriate level of debt, and charging rates for its services. The majority of revenue for SMRCD is grant funding that has specific requirements about how it is allocated, fluctuates from year to year, and delayed payments can affect cash flow and ability to support RCD operations. The issue of unstable revenues is unlikely to change given the nature of its services. The District is encouraged to consider implementing some of the recommendations below stabilize annual cash flow.

Recommendations

4) The District should consider creating defined billable rates and fees for RCD staff for non-grant funded projects and place the billable rates on the District's website.

5) 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.

6) 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.

7) 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).

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. For this reason and due to the economic impacts to all local agencies due to COVID-19, 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 an accompanying property tax transfer to permanently augment revenue.

Status of, and opportunities for, shared facilities.

Determination

SMRCD currently maintains a multitude of partnerships (with private individuals, businesses, farmers, ranchers, non-profit organizations, special districts, and government agencies) in order to share services, facilities, resources and expertise as appropriate. LAFCo staff is not aware of any governance restructure options that will increase efficiencies, but has identified an opportunity for shared services.

Recommendation

9) As noted in the Financial Ability discussion, in response to the potential financial impact that all government agencies may face due to COVID-19 and shelter in place, the District may wish to consider opportunities for additional shared services, when appropriate, for administrative functions. In circumstances where additional staff capacity is necessary, but the District cannot afford to fund a full-time position, the District may wish to explore opportunities to share a position with another local agency or district.

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

Determination

SMRCD has frequent and publicly accessible meetings that are publicized in accordance with the Brown Act. The District adopts annual budgets, completes annual independent audits, and currently has a full and tenured Board of Directors. LAFCo staff is not aware of any potential changes to the District's governance structure or boundaries that will increase accountability, enhance services or eliminate deficiencies. However, LAFCo staff did identify opportunities for the RCD to increase transparency, efficiency and organizational stability, as discussed in the recommendations below.

Recommendations

10) 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.

11) 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.

12) LAFCo encourages the District to have the SMRCD Board review all contracts and grant funding opportunities prior to the acceptance of the funds.

13) LAFCo suggests posting the audio or video of the Board meetings on the District's website.

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

Determination

RCD often provides services within territory where they do not receive any property tax to fund this work. This, in conjunction with the low amount of non-grant funding the District receives, has led to difficulties in allocating funding to the District reserve and to non-project administrative tasks and staff.

The RCD is engaged in a number of projects that support water resilience, climate change, and natural hazards mitigation. The majority of projects that RCD undertakes have multiple benefits within both the natural and built environments.

Recommendations

14) LAFCo encourages RCD to explore revenue sources to fund on-going administrate 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.

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

Section 6. Sphere of Influence Review and Update

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. These include the following determinations:

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.

   The majority of demand for district services occurs in the rural, coastal zone consisting of the County's agricultural district including significant crop and grazing lands as well as watersheds. While population growth in these areas is limited, changes in land use in the region in general, including recreational uses, will continue to impact the need for watershed and soil conservation.
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.

On the basis of the Municipal Service Review:

☐ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency's SOI is recommended and SOI determinations HAVE NOT been made.

☒ Staff has reviewed the agency's Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency's SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.

Appendix A. San Mateo Resource Conservation District Fact Sheet

80 Stone Pine Road, Suite 100
Half Moon Bay, CA 94019

Kellyx Nelson
Executive Director
650-712-7765
650-726-0494/fax
info@sanmateoRCD.org
www.sanmateorcd.org

Date of Incorporation: October 2, 1939 as San Mateo County Soil Conservation District. Reformed on as San Mateo County Resource Conservation District on 1971. Renamed San Mateo Resource Conservation District in 2020.

Board of Directors: Five-member board of directors elected to four-year terms

Membership and Term Expiration Date: T.J. Glauthier, President (December 2020), Jim Reynolds, Board Member (December 2020), Neal Kramer, Board Member (December 2022), Adrienne Etherton, Board Member (December 2019), and Barbara Kossy, Board Member (December 2022)

Compensation: None

Public Meetings: Third Thursday of every month at 4:00 pm, District Office, 80 Stone Pine Road, Suite 100, Half Moon Bay

Services Provided: Comprehensive, integrated services addressing wildlife, water, climate, and agriculture. They provide resources for local conservation efforts and collaborate with private and public land owners, land managers, public agencies, interest groups, and others.

Area Served: 245 square miles

Population: Estimated at 100,000

Number of Personnel: 16 Full-time Equivalent Employees (FTEs)

> 1 Executive Director, 1 Administrative Officer, 1 Climate and Agriculture Programs Manager & Agricultural Ombudsman, 4 Conservation Project Manager, 2 Conservation Program Manager, 1 Senior Conservation Program Coordinator, 3 Conservation Project Coordinator, 1 Natural Resource Specialist, 1 Biologist, and 1 Network Manager for the Santa Cruz Mountains Stewardship Network

Sphere of Influence: Status quo (boundaries of 1987)

Budget: See the SMRCD Accountability page (www.sanmateorcd.org/reports-and-maps/accountability)

Appendix B. References

California Public Resources Code. Division 9, Chapter 3 https://leginfo.legislature.ca.gov/faces/codes_displayexpandedbranch.xhtml?tocCode=PRC&division=9.&title=&part=&chapter=&article=

California Resource Conservation District Director's Handbook https://www.conservation.ca.gov/

Nelson, K. (2019) Executive Director, San Mateo Resource Conservation District. *Personal Communication*

San Mateo LAFCo (2006), Municipal Service Review & Sphere of Influence Review San Mateo Resource Conservation District https://lafco.smcgov.org/

Attachments

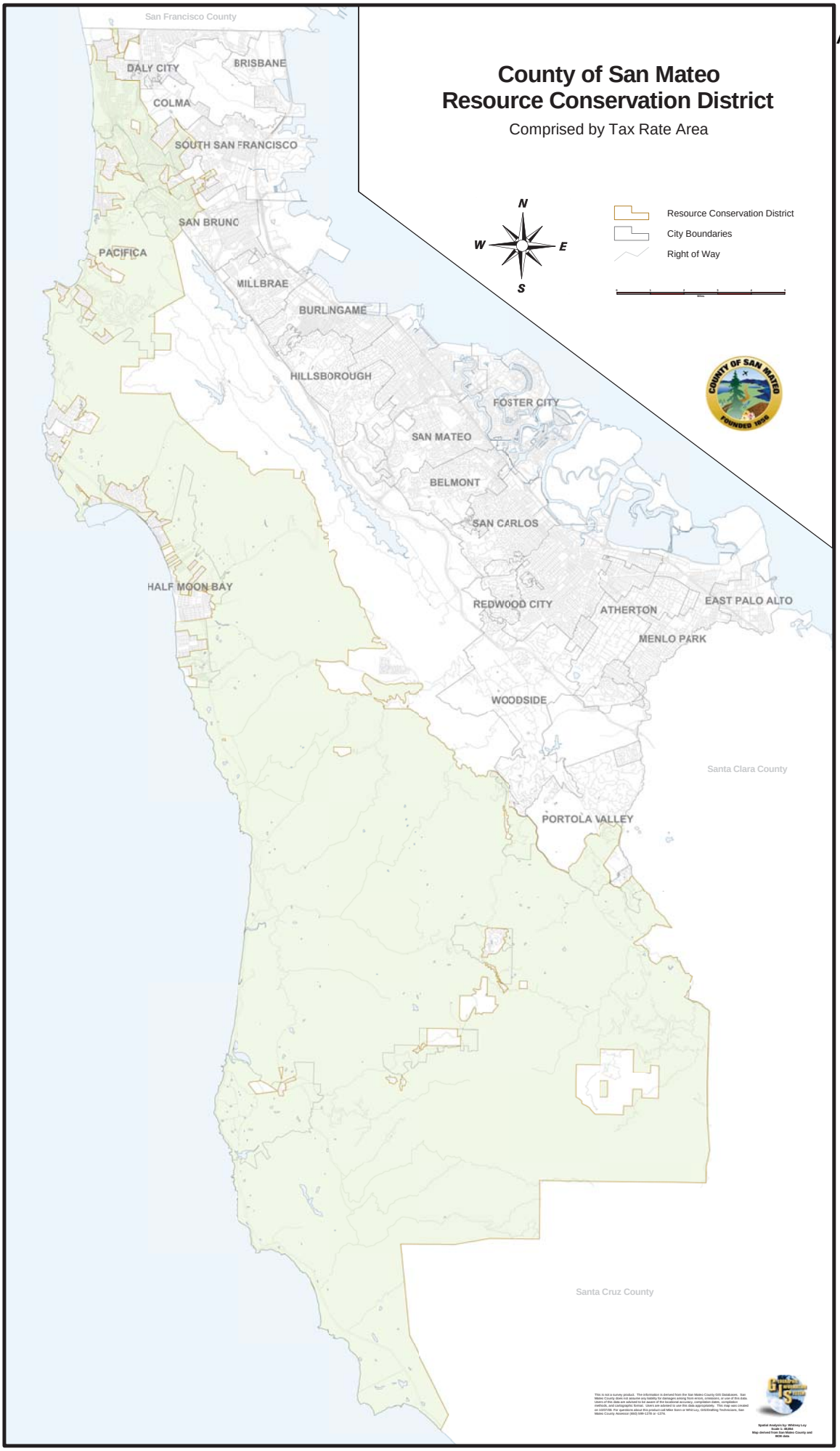
A. Adopted Sphere of Influence for San Mateo Resource Conservation District

B. San Mateo County Watershed Map

C. San Mateo Resource Conservation District Project List Dated July 2019

D. Map of Public Owned Land and Williamson Act Contracted Parcels Within the San Mateo Resource Conservation District

Attachment A



Attachment B

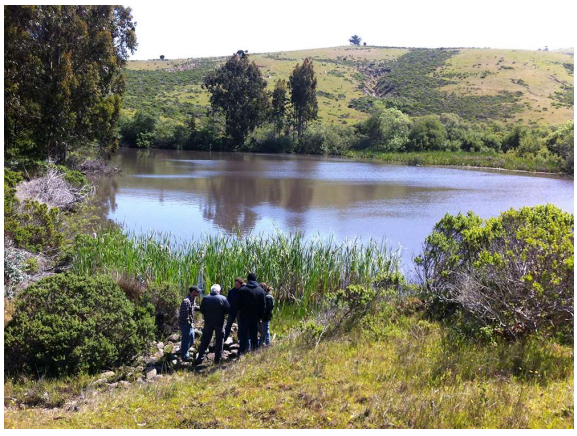
Source: City/County Association of Governments of San Mateo County

(650) 712-7765 info@sanmateorcd.org

Projects

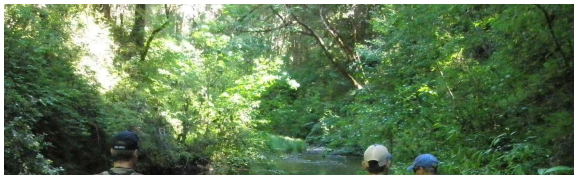
Wildlife, **Water**, **Climate**, and **Agriculture…**

The RCD provides comprehensive, integrated services for all aspects of natural resource management tackling these priorities in San Mateo County. Below is a partial list of our efforts. Check back soon, as this information is updated regularly.



100 Ponds Project

Water for Farms, Fish and People



Integrated Watershed Restoration Program

Carbon Farming

Creek Habitat Enhancement

Pescadero Flood Reduction & Habitat Enhancement

Butano Creek Reconnection

Agricultural Ombudsman

Project

Fish Passage & Migration

Gullies Program

Rural Roads Program

Vegetation Management

Water Quality Program

Good Earth

Fitzgerald Marine Reserve Pollution Reduction

Urban Agriculture Program

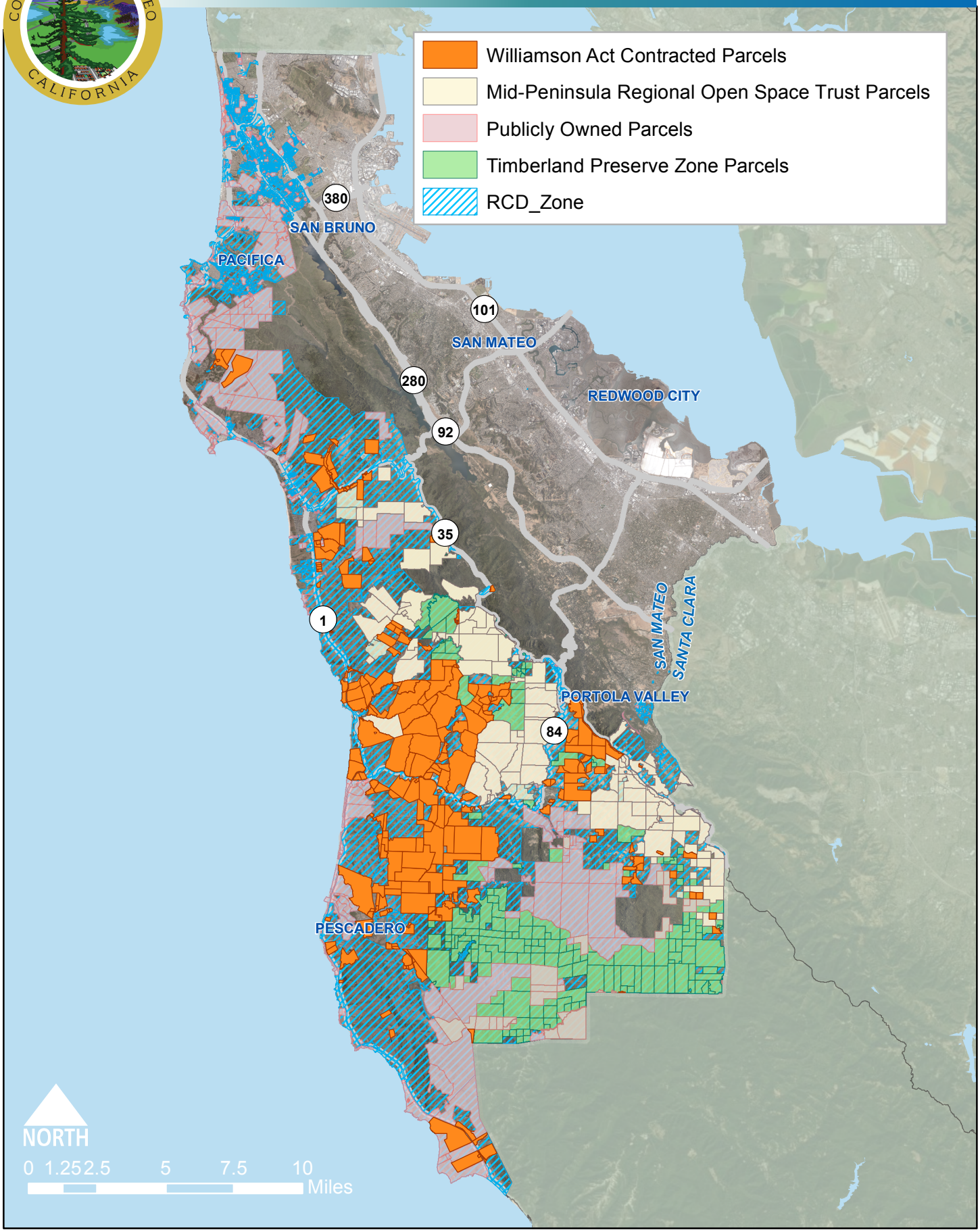
Weed Management Programs

Butano Creek Floodplain Restoration

Biochar Field Trials

Forest Health and Fire Resiliency

Publicly Owned, Mid-Peninsula Owned, Williamson Act, and Timberland Preserve Zoned parcels in the Resoure Conservation District



Source: San Matero County Enterprise GIS Database

Attachment B

Response to Comments on the Municipal Service Review for the San Mateo Resource Conservation District

Letter	Individual or Signatory	Affiliation	Date
A	Catherine Peery	Resident	7/24/2020
B	Richard Sampson	CAL Fire	8/8/2020
C	Ana Ruiz	Midpeninsula Regional Open Space District	8/19/2020
D	Barbara Kossy	San Mateo Resource Conservation District	8/19/2020
E	Barbara Dye	Resident	8/20/2020
F	Joe Pecharich	National Oceanic and Atmospheric Administration	8/20/2020
G	Nicolas Calderon	San Mateo County Parks Department	8/21/2020
H	Jim Howard	Natural Resources Conservation Service	8/21/2020
I	Keith Mangold	Resident	8/31/2020

Rob Bartoli

From: Martha Poyatos
Sent: Monday, July 27, 2020 9:38 AM
To: Catherine Peery
Cc: Kellyx Nelson; Rob Bartoli
Subject: RE: Comment on RCD Municipal Service Review

Follow Up Flag: Follow up
Flag Status: Flagged

SAN MATEO LAFCO
LOCAL AGENCY FORMATION COMMISSION

Thanks Catherine. We will review and get back to you.

Martha Poyatos
Executive Officer
455 County Center, 2nd Floor
Redwood City, CA 94063
650•363•4224 T
650•363•4849 F
www.sanmateolafco.org

From: Catherine Peery [redacted]
Sent: Friday, July 24, 2020 8:15 AM
To: Martha Poyatos <mpoyatos@smcgov.org>
Cc: Kellyx Nelson <kellyx@sanmateorcd.org>
Subject: Comment on RCD Municipal Service Review

Just a couple of comments. The table on page 11 seems to juxtapose Pacifica and the La Honda Pescadero Unified School District, which is not correct. The table is very confusing. If it was listed by geography it might make more sense, so that Pescadero (not mentioned), or Unincorporated San Mateo County and LHPUSD and CSA11 were all in about the same place. A-1

The other thing I noticed after trying to read the whole thing is that RCD has gone from handling program revenues of $2m to $13m over 5 years with no help from anybody. A-2

I will just say that personally, this report lacks context. It doesn't really bring out the effectiveness of RCD's programs, its interagency cooperation, it's willingness to help with the problems of the communities it serves when they seem very challenging. The word dredging doesn't come up, but for a Pescadero resident, I am extremely aware that RCD has accomplished the impossible with the dredging project, and it's not even mentioned. A-3

My impression of this RCD director compared to the one who handled the RCD when I first got on PMAC in 2000, is night and day. Kellyx is very knowledgeable and effective. The other guy just wasn't. There doesn't seem to be a measure of how impactful and valuable the programs are that RCD works on. The report just lacks context completely. A-4

I would also like to point out that what is mentioned is very picayune. Footnotes, audit reports on websites, etc. just doesn't seem that important compared to the actual effectiveness of the programs implemented, and that is not mentioned at all.

Catherine Peery
Pescadero Foundation, Pescadero Public Radio Service,
Co-moderator, Sustainable Pescadero

[redacted]

Letter A	**Catherine Peery, Resident**
Response A-1	The table referenced on Page 11 of the MSR is an alphabetical list of local agencies affected that share boundaries with the RCD. Each column represents a type of agency. The table is not organized geographically. The area of Pescadero is not listed in the table, although it is within the boundaries of the RCD, because Pescadero is an unincorporated area and not a separate government entity.
Response A-2	SMRCD has increased program revenues over the last 5-year period. A majority of these funds are grants from other public agencies for projects that the District has pursued. In many cases, RCD has partnered with agencies to complete these projects as noted in the various comment letters.
Response A-3	The Pescadero dredging project, as well as other wildlife, water supply, climate, forest health and fire resilience, and agriculture projects and programs are described on pages 9 and 10 of the MSR.
Response A-4	Comment noted. The MSR identifies the increase in staff, projects, and funding since the previous review of the District in 2006

DEPARTMENT OF FORESTRY AND FIRE PROTECTION
P.O. Drawer F2
6059 Highway 9
Felton, CA 95018
(831) 335-6740
Website: www.fire.ca.gov

August 7, 2020

RE: Support for San Mateo Resource Conservation District.

To Whom It May Concern;

The San Mateo – Santa Cruz Unit of CAL FIRE (CZU) Resource Management Office has enjoyed a productive working relationship with the San Mateo Resource Conservation District (RCD) for over 15 years. We have worked on several collaborations with the RCD that have resulted in successes still beneficial to the public 15 years later.

One of the largest collaborations has been with the 2009 Community Wildfire Prevention Plan for San Mateo and Santa Cruz Counties. This plan was prepared with funding through the RCD, staff cooperation on project public outreach events, plan preparation and approval by the County Board of Supervisors. This document has been updated twice (last in 2018) and is referred to during grant preparation, project planning and department planning processes.

In addition to the CWPP, the RCD has partnered with our office on streamlining permitting for Fuel Reduction projects in the Coastal Zone, Eucalyptus control, Fire Access Road restoration. We have benefited from funding by the RCD on outreach programs for Fire Prevention in both San Mateo and Santa Cruz Counties. Some of this outreach included printing and distribution of the Living With Fire pamphlets and Defensible Space trifolds prepared with and funded by the RCD. B-1

For the past 2 years, we have been working with the district in the promotion and management of the San Mateo Fire Safe Council. The RCD has been successfully providing administrative services to the Council.

Most recently we have been working with the RCD on Fuel Reduction programs. This has included project and staff support on a Mitigated Negative Declaration (CEQA) for a Prescribed Fire program on San Francisco Public Utility Commission, Peninsula Watershed Lands. Other projects include RCD assistance on several Vegetation Management projects on San Mateo County Park lands.

CAL FIRE looks forward to continuing its working relationship with the San Mateo RCD. If you have any questions about these projects or this letter, please feel free to contact me.

Sincerely,

Richard Sampson, RPF #2422
Division Chief – Forester II
CAL FIRE
6059 Highway 9 P.O. Drawer F-2
Felton, CA 95018
(831) 335-6740

Letter B	**Richard Sampson, CAL Fire**
Response B-1	Comments noted. The MSR has been updated to include this information about the relationship between the District and CAL Fire and the projects that the District has recently been a partner to.

Midpeninsula Regional OpenSpace | Midpeninsula Regional Open Space District

GENERAL MANAGER
Ana M. Ruiz

BOARD OF DIRECTORS
Pete Siemens
Yoriko Kishimoto
Jed Cyr
Curt Riffle
Karen Holman
Larry Hassett
Zoe Kersteen-Tucker

August 19, 2020

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

ATTN: MARTHA POYATOS, Executive Officer

Subject: Municipal Service Review, San Mateo Resource Conservation District

Midpeninsula Regional Open Space District (Midpen) is pleased to submit the following comments in support of our partner and frequent collaborator on conservation efforts, the San Mateo Resource Conservation District (RCD). These comments are offered to assist the San Mateo County Local Agency Formation Commission (LAFCo) in their completion of the Municipal Service Review (MSR) for the RCD.

Created in 1972, Midpen is an independent special district that has preserved nearly 65,000 acres of public land and manages 26 open space preserves. Midpen's boundaries extend from San Carlos to Los Gatos on the bayside and to the Pacific Ocean from south of Pacifica to the Santa Cruz County line on the coastside. Midpen's preserves range from 55 acres to over 19,000 acres, and are open to the public free of charge, 365 days a year. Our mission within the San Mateo County Coastside area is:

> *"To acquire and preserve in perpetuity open space land and agricultural land of regional significance, protect and restore the natural environment, preserve rural character, encourage viable agricultural use of land resources, and provide opportunities for ecologically sensitive public enjoyment and education".*

After expanding our boundaries to the coastside of San Mateo County in 2004 and adopting additions to our mission statement to include preservation of agriculture, Midpen also expanded our partnership and collaboration with the RCD. In particular, working with the RCD, we have successfully leveraged each other's respective resources (staffing, funding, communications, partnerships, etc.,) to support implementation of Midpen's priorities and RCD's programs, benefitting the communities and natural resources we serve.

One example of our successful partnership relates to Midpen's support for a RCD staff position who works with private property owners surrounding Midpen preserves on invasive, noxious weed management as a strategy to protect the natural resources and weed abatement investments made on Midpen open space lands. Another example of our mutually beneficial partnership can be found in a RCD-led effort, collaborating with Midpen and many others in the region and the across the State, to advance efficiencies in permitting for environmental restoration. The RCD is taking an important regional and state leadership role to streamline beneficial natural resource

C-1

protection and enhancement projects that will result in tremendous efficiencies to scale up environmentally beneficial work to improve climate resiliency, sustainability, and the quality of our environment and natural resources across San Mateo County and the State of California.

Thank you for receiving our support for the work of the RCD in our region and in recognizing the important work that the RCD accomplishes for the residents of San Mateo County. Before closing, I did want to call your attention to Section 4: Affected Agencies, where I believe Midpen may have been overlooked and should be included in the Independent Special Districts column given our close relationship with the RCD.

C-2

Sincerely,

Ana M Ruiz (Aug 20, 2020 15:18 PDT)

Ana Ruiz
General Manager

CC: Midpen Board of Directors
Kellyx Nelson, San Mateo RCD Executive Director

Letter C	**Ana Ruiz, MROSD**
Response C-1	Comments noted. The MSR has been updated to include this information about the relationship between the District and MROSD and the projects that the District has recently been a partner to.
Response C-2	The agencies list has been updated to include the MROSD for Independent Special Districts.

Letter D

SAN MATEO RESOURCE CONSERVATION DISTRICT

PHONE: 650.712.7765

80 STONE PINE ROAD, SUITE 100
HALF MOON BAY, CA 94019

SANMATEORCD.ORG

August 19, 2020

Local Areas Formation Commission
455 County Center, 2nd Floor
Redwood City, CA 94063-1663
Attn: Martha Poyatos, Executive Officer

Comments on Draft Municipal Service Review for San Mateo Resource Conservation District

Dear Chair and Commission:

The San Mateo Resource Conservation District (RCD) appreciates the review of our services, the draft recommendations, and the opportunity to provide comments. Since our last review in 2006, our services have evolved substantially. We hope this process increases the visibility of our contributions to San Mateo County and helps communicate the impact, effectiveness, and efficiency of the services we bring to our constituents and beyond.

We would also like to take this opportunity to thank and acknowledge the role that LAFCo's Executive Officer, Martha Poyatos, has played in our agency's development. Since 2006, she has been an invaluable resource to improving our governance and programs with her technical assistance, guidance, feedback, and by connecting the RCD to appropriate County resources to advance our mission.

We offer four comments to contribute to the Commission's overall understanding of our district, which we believe should be included in a review of our services to increase understanding of the operations and achievements of the RCD:

1. **The RCD has limited operating revenues**. The RCD is an independent special district with a business model similar to that of a non-profit organization. The property tax revenue that we receive, approximately $80,000 annually, is insufficient to pay for one qualified staff person and comply with the legal requirements for the RCD to exist, let alone deliver services or programs in support of our mission and constituents or enhance our administrative and communications functions. For several years, San Mateo County has provided a contribution that has enabled us to have an administrative staff person, provide essential mission-related services that are not grant funded, and leverage the investment to bring in substantial state and federal grant funds in support of County priorities and constituents. D-1

2. **Current funding is severely restricted**. Foundations and private donors are less likely to contribute unrestricted funds to a public agency than they are to a non-profit organization, and foundations are often restricted by charter to donating to 501c3 organizations. This results in the RCD being heavily reliant on billing to grants that are restricted to specific project-related tasks. These funding sources typically prohibit or D-2

limit charging for indirect costs, i.e. overhead. As a result, the RCD's capacity for administrative, communications, and other functions that are not directly billable is extremely limited. These funding restrictions severely limit the RCD's capacity for administrative, communications, and other functions that are not directly billable.

D-2 Cont.

3. **The RCD is an extraordinary investment that epitomizes efficient local government. The RCD Leveraged more than $144 for each dollar of property taxes in Fiscal Year 2020, with over 90% of funds directed to project realization, with less than ten percent funding operations and administration.** In Fiscal Year 2020, the district leveraged its $80,568 property tax base for a total of $11,601,187 to deliver programs that build resilience for San Mateo County. The RCD is lean, currently employing only one administrative staff person and one executive staff person due to limited unrestricted funds. With that limited overhead, the district delivers a plethora of high quality and high priority services for the community and for the environment. While increased administrative and communications capacities are desirable and recommended, the RCD should be commended for its leanness and efficiency.

D-3

4. **The RCD is a local hub for natural resource conservation that uniquely delivers high priority, high quality services that are effective and directly responsive to community needs**. The RCD has a broad mandate-- essentially to help people help the land using very diverse means. We have no regulatory mandate, and no requirement to achieve specific outcomes for natural resources. We work where we are invited, and always in partnership with others. We work cross-jurisdictionally, across public and private lands to accomplish community priorities at different scales. Our work and our priorities are directly responsive to community and stakeholder priorities.

   The San Mateo RCD enjoys a local, regional, and statewide reputation for excellence. Our award-winning district is considered a leader and model among the nearly 100 RCDs and many other organizations in California. Our "dream team" of devoted, mission-driven, competent staff has extensive relationships in the community and is regularly called upon by local residents and municipalities alike to help address resource concerns from flooding to fire to drought to catastrophic erosion, regardless of how thorny or intractable the challenge seems. We are also called upon by local, state and federal government agencies to help accomplish their environmental mandates and priorities, from preventing species extinction to planning for climate change, with our toolkit of incentives and technical assistance as a trusted broker to accomplish voluntary environmental conservation.

D-4

In addition to the overall comments above, the RCD wishes to provide comments specific to the recommendations in the draft service review, per the table below.

Draft Recommendation	RCD Comment
1. That the District continue to undertake projects that improve the natural environment for all residents, including those of lower	The RCD intends to continue this work.

D-5

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.	This has long been a desire of the RCD that requires funding and staffing resources. Meanwhile, with limited resources, the RCD distributes regular newsletters capturing our achievements, contributes to online communications such as the RCD project tracker (https://www.rcdprojects.org) and presents regular updates at meetings of the board of directors as well as frequent community presentations. The RCD recently contracted with a communications consulting firm to develop cost effective strategies for communications.	D-6
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.	The RCD is interested in exploring this opportunity and learning about next steps.	D-7
4. The District should consider creating defined billable rates and fees for RCD staff for non-grant funded projects.	The RCD has billable rates and fees that are established through a publicly noticed and Board-approved Cost Allocation Plan, which forms the basis of a federally negotiated indirect cost rate that is applied to grants and non-grant funded projects. The target billing rate is often not achievable when grant programs prohibit or limit indirect expenses but is still applied for non-grant projects when possible.	D-8
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	This exemplifies the need for additional administrative resources. The RCD agrees that budget footnotes are a good practice, and are a regular practice of the RCD that was temporarily disrupted due to recent staffing limitations. Please note that (a) this has been a historical practice of the RCD, (b) this requires administrative capacity, and (c) the budget was discussed line by line in the Finance Committee of the Board of Directors and in publicly noticed meetings.	D-9

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).	This has long been a desire of the RCD that requires staffing resources. Meanwhile, the RCD has established a set of financial policies that exceeds legal requirements.	D-10
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.	The RCD already adopts a reserve amount as part of the budget process, as seen in the FY 20 and 21 budgets. This is recent, as after many years of building its financial health and resilience, the RCD only recently became able to develop an operating reserve (and has been a model for other RCDs struggling to do the same). The comment about footnotes is the same as above.	D-11
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.	The RCD does this extensively. Currently, one position on staff is supported by the Midpeninsula Regional Open Space District, one by the County, and one by a cross-sector collaboration of 21 public agencies and private organizations. The RCD regularly shares administrative services and resources with other RCDs. Historically the USDA Natural Resources Conservation Service and the RCD shared an administrative staff person, and the RCD has shared staff with other RCDs. We welcome a specific recommendation from LAFCo staff about any specific opportunity that we have not identified. The RCD is interested in exploring the potential for annexation of territory that might permanently augment revenue to support administrative staff or tasks.	D-12
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	The independent audit for 2019 is complete and on our website. Annual reports have long been a desire of the RCD that requires funding and staffing resources. Please see comment	D-13

increase the district's financial transparency and raise public awareness of the projects that the District undertakes.	above regarding this recommendation. The RCD agrees about the value of a narrative for annual budgets and has historically provided them, interrupted by limited recent staffing. Please see comment above.
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.	The RCD is in the middle of a strategic planning process that is providing these documents. Its completion is anticipated in October. Please note that this requires staffing and resources.
11. LAFCo encourages the District to have the SMRCD Board review all contracts and grant funding opportunities prior to the acceptance of the funds.	The Finance Committee and Board of Directors will consider this recommendation.
12. LAFCo suggests posting the audio or video of the Board meetings on the District's website.	This exemplifies the need for additional administrative resources. The RCD's current website does not have the capacity to host the recording data. RCD staff began to explore options for a web upgrade or external host, but it requires staff resources to explore and implement.
13. LAFCo encourages RCD to explore revenue sources to fund on-going administrate 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.	The RCD is interested in exploring a SOI amendment 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.	The RCD intends to do so.

D-13
Cont.

On behalf of the Board of Directors, I thank you for this opportunity to provide comments on the draft service review and to highlight the work that we are so proud to be a part of. Please do not hesitate to contact our executive director, Kellyx Nelson, for additional information or clarification regarding our comments at kellyx[at]sanmateoRCD.org.

Sincerely,

Barbara Kossy
President

Letter D	Barbara Kossy, SMRCD
Response D-1	Comment noted. The additional information regarding the use of the contribution from San Mateo County for administrative staff has now been included in the MSR.
Response D-2	LAFCo acknowledges in the report the constraints the District faces regarding unrestricted funds and the limits for indirect costs for grant funding.
Response D-3	As stated in the MSR, the District has limited property tax funding, with the majority of the RCD budget consisting of grant funding. The information regarding the amount of property tax leveraged per grant dollar has been added to the MSR report.
Response D-4	Comment noted. LAFCo staff has received comment letters from several agencies that have partnered with RCD highlighting the District's effectiveness in natural resource conservation. As noted in many of these letters, federal, state, and local government partners have had long standing relationships with the District that have expanded since the 2006 MSR. The broad mandate of the District is evidenced by the number of project areas the District is active in as noted in the current MSR.
Response D-5	Comment noted
Response D-6	Comment noted. LAFCo supports the District's efforts and encourages the District to create annual reports.
Response D-7	Comment noted
Response D-8	While the District does have an approved Cost Allocation Plan to establish the methodology for allocating fees, the actual fee and rate amounts are not shown on the District's website.
Response D-9	Comment noted. While the budget has been discussed by the Board at a public meeting, these meetings do not have a video archive that can be reviewed by members of the public interested in learning more about the District's finances. Adding footnotes or a narrative would allow for greater transparency for the public.
Response D-10	Comment noted.
Response D-11	LAFCo supports the creation of a reserve fund for RCD and recommends that information be included in the budget that describes how the reserve is being funded.
Response D-12	The MSR has been updated to reflect the RCD staff positions that currently receive support from other agencies. LAFCo recommends that due to the impacts of COVID-19 and shelter in place requirements, that the RCD again explore opportunities for shared service were possible, particularly for administrative services.
Response D-13	Comments noted

Rob Bartoli

From: Barbara Dye [redacted]
Sent: Thursday, August 20, 2020 12:13 PM
To: Martha Poyatos; Rob Bartoli
Subject: Comments on the MSR for the San Mateo Resource Conservation District

Follow Up Flag: Follow up
Flag Status: Flagged

My name is Barbara Dye. I am currently the President of the Board of the Granada Community Services District and a member of the board of the Sewer Authority Midcoastside. I have spent many years working on public policy in different capacities, mostly in southern California. Shortly after I moved to the Coastside six years ago I spent a few months volunteering for the San Mateo Resource Conservation District (RCD). I came away from that experience very impressed by the work that they do and the way they maximize their resources to have a significant positive impact on the environment of this area. I really appreciated the cooperative manner in which they work, leveraging resources to make a real difference in our community.

The Granada Community Services District has been working with the RCD on environmental projects in El Granada. They have been efficient, thoughtful, and responsive, providing us with resources our agency does not have at a reasonable cost. E-1

I have just read the Municipal Service Review Circulation Draft for the San Mateo Resource Conservation District, and it seems to have the emphasis wrong. It focuses on relatively minor administrative improvements that could be made, without really reviewing the remarkable services that the RCD provides to the Coastside. The District does an outstanding job of selecting and implementing projects that improve the natural environment for all residents. They do it very efficiently, with very little revenue available to support administrative functions. This should be the main takeaway from a review of their Service. E-2

I spoke to Kellyx Nelson, the Executive Director of the RCD about some of the specifics of the recommendations.

- Regarding annual reports, the District has provided annual newsletters that include information about their activities. They would like to produce more detailed annual reports when administrative funding supports the additional staff time. E-3

- Annexing of additional areas within the County would be a great benefit to the District. Any support that LAFCO could provide to the effort to accomplish this would be great. Since this would require another taxing entity to give up revenues, it is unlikely that the RCD can do more than propose this change. E-4

- The District has defined billable rates and fees. E-5

- More detailed budgets have been provided in the past, but due to administrative issues one was not available in 2020. Having detailed budgets available on the website is a RCD goal for 2020. E-6

- The District has a reserve policy and has been allocating funds to it. It would not be fiscally prudent to specify an amount or percentage for annual contributions, since the funding levels vary significantly from year to year. The reserve level is managed by the Board of Directors, which is appropriate. E-7

- The idea of sharing resources is one that comes up regularly, even for the agency I serve. While the RCD has actually done more in this area than most agencies, it is a very difficult thing to implement in the real world. The RCD should be congratulated on its successes in this area. E-8

- Many of the other recommendations refer to similar relatively minor administrative changes that would be valuable if staff time were available to implement them. E-9

The last recommendation in the Review is perhaps the most important: "LAFCo encourages the District to continue its work in the areas of water resilience, climate change, and natural hazards mitigation." E-10

This review of the RCD's services clearly demonstrates that, even though it could make more use of administrative funding, the RCD is efficient, brings great resources to the area, and is a major asset to the Coastside.

Letter E	Barbara Dye, Resident
Response E-1	Comments noted.
Response E-2	The content and focus of the MSR, as mandated by Government Code Section 56430, includes the following: a. Growth and population projections b. The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. c. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies. d. Financial ability of agencies to provide services e. Status of, and opportunities for shared facilities f. Accountability for community service needs, including governmental structure and operational efficiencies g. Any other matter related to effective or efficient service delivery, as required by Commission policy. The Commission or the Executive Officer may include other matters as determined based on local conditions and circumstances prior to preparing an MSR or in the course of preparation. MSR's determinations to be included by adopted local policy include the following: i. Water Resiliency and Climate Change ii. Impact of Natural Hazards and Mitigation Planning The aspects of how services are delivered and the impact of these services on their recipients is discussed in the SMRCD review. The other factors that are reviewed address the fiscal stability of a public agency, transparency, and if there is population growth within the agency that could impact its level of service. The MSR does discuss the limited property tax that the District receives and also notes that the District's grant funding has dramatically increased since the previous MSR.
Response E-3	LAFCo recommends that 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.
Response E-4	As a recommendation of the MSR, LAFCo encourages RCD to explore revenue sources to fund on-going administrate 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.
Response E-5	The RCD has publicly noticed and Board approved Cost Allocation Plan to allocate costs to various programs, grants, contracts and agreements. Per the District, the Cost Allocation Plan is used to generate the organization's billing rates using an indirect cost rate as a threshold/guideline for billing rates. The target billing rate is often not achievable when grant programs prohibit or limit indirect expenses but is still applied for non-grant projects when possible. It is LAFCo's recommendation that the District post billing rates on the website for transparency and to allow applicants to understand potential costs.
Response E-6	LAFCo acknowledges the challenges that all agencies have faced in 2020 due to COVID-19 and the shelter in place order. LAFCo recommends that the District consider utilizing footnotes or other budget narrative that could be posted along with each fiscal year's budget. These notes should explain specific programs and

	budget categories. 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 narratives should be shown on the budget document available to the public on the District's website.
Response E-7	LAFCo recognizes that the District has an adopted reserve policy. While the District does have this policy and has allocated funds to it, the policy does not have a reserve amount or percentage to target. LAFCo also recommends that the District provide footnotes or narrative about how the reserve is funded to increase transparency with the public.
Response E-8	The District indicates they have repeatedly attempted to engage in shared services 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. LAFCo agrees with the commentator that shared services can be difficult to implement and supports the District's efforts in this area.
Response E-9	Comment noted. One recommendation of the MSR is that RCD explore how to fund administrative functions.
Response E-10	Comment noted.

Letter F

UNITED STATES DEPARTMENT OF COMMERCE
National Oceanic and Atmospheric Administration
NOAA RESTORATION CENTER
SOUTHWEST/CALIFORNIA
777 Sonoma Avenue, Room 325
Santa Rosa, California 95404-4731

August 20, 2020

LAFCo
c/o Martha Poyatos, Executive Officer
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: Statement of Support for San Mateo Resource Conservation District as a significant partner of the National Marine Fisheries Service and NOAA Restoration Center

Dear Ms. Poyatos and LAFCo Commissioners,

I am writing to express my support for one of our most active, steadfast and reliable partners, the San Mateo RCD, in helping National Marine Fisheries Service and the NOAA Restoration Center in the recovery of two endangered species, coho salmon and steelhead trout and overall recovery of the habitat they live in. Thank you very much for the opportunity to express my support of San Mateo RCD to LAFCo.

My name is Joe Pecharich and I'm a habitat specialist for the NOAA Restoration Center. I oversee restoration and protection of habitat for the two aforementioned species from Monterey County north through Mendocino County including the streams of San Francisco Bay. I work out of Santa Rosa and do not get enough opportunity to spend time in coastal and inland San Mateo County. Given our federal mandate to protect and restore habitat for species protected under the Endangered Species Act (ESA), we absolutely depend on the San Mateo RCD to help us carry out our mandate and to provide us with essential projects to fund for the benefit of our trust species.

I cannot express how important the streams of coastal San Mateo County are for the recovery of the highly endangered Central California Coast (CCC) coho salmon and threatened steelhead trout. The RCD's exceptional efforts in Pilarcitos and San Gregorio Creeks and especially in Pescadero Creek are numerous and without the efforts of **this** RCD, we could not be talking about the possible reintroduction of CCC coho salmon in Pescadero Creek. F-1

I work across 12 California counties on the Central and North Coast and with dozens of partner organizations and with San Mateo RCD being so successful in collaborating with landowners, federal, state and county agencies, NGOs, and consultants, they are one of the most prolific project producers I have. I'm constantly amazed at the projects the RCD accomplishes on the small amount of committed funds they receive. Some of the challenges in the watersheds in their district are very complex, particularly when agriculture and endangered species are involved. Their efforts in bringing all stakeholders to the table result in a multitude of win-win projects. And their efforts in pulling off the Butano Creek Reconnection Project, which dredged Butano Creek to restore ancestral fish migration, reduce flooding to the community of Pescadero, and aid in staving off the annual fish kills in Pescadero Lagoon, is to be exceptionally commended. This project languished for over 20 years and they found a way to be transparent with the community and agencies to make this project happen.

In conclusion, San Mateo RCD is very deserved of many praises of accomplishing a ton with very little and is one of NMFS most trusted partners.
Sincerely,

Joe Pecharich
Fisheries/Habitat Biologist
OHC/NOAA Restoration Center
Santa Rosa, CA
(707) 583-3189

Letter F	**Joe Pecharich, NOAA**
Response F-1	Comments noted. The MSR has been updated to include this information about the relationship between the District and NOAA and the projects that the District has recently been a partner to.

Rob Bartoli

From: Martha Poyatos
Sent: Friday, August 21, 2020 2:25 PM
To: Rob Bartoli
Subject: FW: San Mateo Resource Conservation District Municipal Service Review

Follow Up Flag: Follow up
Flag Status: Flagged

Martha Poyatos
Executive Officer
455 County Center, 2nd Floor
Redwood City, CA 94063
650•363•4224 T
650•363•4849 F
www.sanmateolafco.org

From: Nicholas Calderon
Sent: Friday, August 21, 2020 2:23 PM
To: Martha Poyatos <mpoyatos@smcgov.org>
Subject: San Mateo Resource Conservation District Municipal Service Review

Martha,

An organization's ability to navigate the regulatory permitting process is often the difference between whether a project is completed on time and within budget, or not. The San Mateo Resource Conservation District (the "RCD") has proven time and again that it is able to satisfy local, state, and federal regulatory requirements and manage complex projects more effectively than most. And, for this reason, the native flora and fauna throughout the RCD's sphere of influence have benefited greatly.

While the San Mateo County Parks Department ("Parks") and RCD have partnered on numerous successful projects that have improved the ecological value of our parks, I would like to highlight two projects in particular. First, in 2018 and 2019, Parks and the RCD partnered to complete Phase 1 of the Old Haul Road Sediment Reduction Project in Pescadero Creek County Park. The successful completion of this project prevented up to 8,000 cubic yards of sediment from being deposited into the impaired Pescadero Creek Watershed, and will enable the reintroduction of the threatened Central California Coast coho salmon to these historical spawning grounds. RCD managed each phase of the project, including the development of detailed plans and specifications, obtained all required permits and approvals, secured grant funding, and oversaw project construction. RCD delivered the final project on schedule and under budget which allowed Parks to reallocate the remaining funds to future phases of the project.

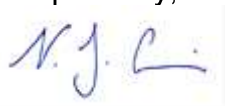
G-1

Parks also partnered with the RCD to identify and replace obsolete segments of Memorial County Park's water distribution system. Replacement of these lines was critical to enhancing water conservation efforts and providing instream benefits for salmonids and other marine life. As part of this initiative, 1,200 linear feet of water distribution lines were replaced to improve water security and reduce the risk of catastrophic leaks. This project was constructed using a subsurface drilling technique that minimized damage to the natural environment and will extend the useful life of the waterlines.

As a result of the successful completion of these projects, Parks is partnering with the RCD on several more projects. RCD is managing: 1) the next phase of the Old Haul Road Sediment Reduction Project which will prevent up to 40,000 cubic yards of sediment from entering the impaired Pescadero Creek watershed; 2) a 415 acre forest health and fire fuel reduction project (largest such project in Parks' history) that will improve the overall ecological value of Huddart and Wunderlich parks and reduce the threat of wildfire to neighboring communities; and 3) the restoration of Tunitas Creek to enhance habitat along the creek corridor and hopefully enable the Central California Coast coho salmon to return to historic spawning grounds.

Parks is fortunate to have such a well-versed and supportive partner in the RCD. The abilities the RCD brings to the partnership – securing grant funding, navigating the regulatory process, forming relationships around shared values, and completing projects on time and within budget – makes them a truly invaluable ally for Parks and the residents of San Mateo County. Thank you for your time.

Respectfully,



Nicholas J. Calderon
Parks Director
San Mateo County

Letter G	**Nicolas Calderon, San Mateo County Parks**
Response G-1	Comments noted. The MSR has been updated to include this information about the relationship between the District and County Parks and the projects that the District has recently been a partner to.

USDA

United States Department of Agriculture

August 21, 2020

Martha Poyatos
Executive Officer
San Mateo LAFCO
455 County Center, 2nd Floor
Redwood City, CA 94063-1663

Re: San Mateo LAFCO Municipal Service Review - San Mateo Resource Conservation District

Dear Miss Poyatos,

Thank you for the opportunity to provide written comments to your Municipal Service Review of the San Mateo Resource Conservation District. I've been the USDA, NRCS District Conservationist in San Mateo County since July 2005. I've worked in close partnership with the San Mateo RCD for 15 years providing conservation technical and financial assistance, as well as outreach and education, to private landowners, resource managers and agricultural producers. The RCD has been NRCS's primary partner in this effort. NRCS's accomplishments have been significantly expanded through this effective partnership with the RCD. I'm extremely proud of the partnership we've built, which is viewed as a model for NRCS California.

Ours is a unique local-federal partnership, which significantly multiplies the local investment in natural resources in San Mateo County. NRCS has two technical specialists (federal employees) assigned to directly assist San Mateo County. In addition to these specialists, there is a team of Area Technical Specialists that also assist the RCD with their projects at no cost to the RCD. NRCS has invested over $5,000,000 in San Mateo county over the last five years in personnel, equipment and direct financial assistance to projects.

H-1

The inherent limits of NRCS's capabilities to provide for our customers are negated through our partnership with the RCD. The RCD has created an exceptionally deep reservoir of technical and administrative expertise. It has built a tremendously competent staff of professionals who cover a broad range of natural resource management expertise and has become a go-to employer for conservation professionals in the region. What the NRCS cannot do on its own, we get done through our shared resources, to the benefit of our customers and the natural resources of San Mateo County.

I could not be more impressed at how resourceful and capable the San Mateo RCD has become over the years that I've worked with the organization. They've achieved so much with so little. Please continue to support this amazing resource in San Mateo County.

Sincerely,

Jim Howard
District Conservationist

Natural Resources Conservation Service
80 Stone Pine Road, Ste 100, Half Moon Bay, CA 94019
Phone: (650) 726-4660

Letter H	Jim Howard, NRCS
Response H-1	Comments noted. The MSR has been updated to include this information about the relationship between the District and NRCS and the projects that the District has recently been a partner to.

Rob Bartoli

From: Martha Poyatos
Sent: Monday, August 31, 2020 4:13 PM
To: Rob Bartoli
Subject: FW: RCD Draft Response

SAN MATEO LAFCO
LOCAL AGENCY FORMATION COMMISSION

Not sure if I forwarded this.

Martha Poyatos
Executive Officer
455 County Center, 2nd Floor
Redwood City, CA 94063
650•363•4224 T
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www.sanmateolafco.org

From: Keith Mangold [redacted]
Sent: Tuesday, August 18, 2020 3:44 PM
To: Martha Poyatos <mpoyatos@smcgov.org>
Subject: RCD Draft Response

Dear Ms Poyatos

Subject: Response to RCD Draft Report

I am a retired systems consultant who has volunteered for various organizations active in mid-coast San Mateo County, including State Parks, Fitzgerald Marine Reserve, Devil's Slide, Surfrider, Coastside Land Trust, and the Resource Conservation District. All of these organizations have environmental components that contribute to local coastal access, water quality, land use practices or wildlife enhancement.

More than two decades ago I began working with the San Mateo Resource Conservation District, which at the time was very small and had significant budget issues that required a financial bailout by the County to continue operation. Then Supervisor Rich Gordon was a strong advocate for the organization and enabled funding for its continued operation. Since that time the RCD has become an efficient, innovative, high capacity organization that has a significant impact in county agricultural practices, water quality and availability, land use, fire prevention, wildlife enhancement and public education, working with a diverse group of partners and clients, including UC Ag extension, Trout Unlimited, Farm Bureau, State Parks, County Parks, NOAA, US Fish & Wildlife Service, Cal Fire, Natural Resources Conservation Service, and individual landowners. Supervisor Don Horsley has been a strong supporter for projects which require County participation.

I have found the RCD to be exceptionally transparent in its dealings, thanks to the leadership of Kellyx Nelson. Their Board meeting minutes and materials are open and available and they are very responsive to questions and suggestions. The RCD website is worthy of emulation by other public organizations, starting with their staff descriptions and including the project descriptions and supporting materials and financial transactions. RCD operations are lean and flexible with minimum administrative overhead. The RCD model and leadership have produced a dynamic organization with timely, appropriate solutions which are fully transparent to agencies, clients and the interested public.

I recognize that the purpose of the reviews is to increase efficiency and transparency, but having dealt with public agencies in a variety of capacities for many years, I have not found another organization that is more forthcoming with information. I suspect that part of the report criticism is due to the RCD funding source model, where each project is based on an immediate perceived need, rather than a tax based, recurring source. This model, while common in private industry consulting and non-profits, is virtually nonexistent in most of the organizations that you review.

In summary, I suspect that what I perceive as a largely negative report, is more the result of your restrictive charter, rather than an assessment of the ability of the RCD to accomplish its charter. I believe that the positive results typifying RCD operations should be commended and recognized as a model for other organizations.

Sincerely: Keith Mangold

Letter I	**Keith Mangold, Resident**
Response I-1	Comment noted. LAFCo staff agrees with the commentator regarding the wide range of programs that RCD is a part of.
Response I-2	Comments noted. One purpose of the MSR is to evaluate and make recommendations regarding specific areas including accountability and transparency.
Response I-3	While RCD does rely heavily on grants funding compared to other public agencies in the County, a LAFCo's recommendation focuses on augmenting those funds for nor-grant administrative tasks of the District. An additional budget recommendation is for the District to consider utilizing footnotes or a budget narrative to provide additional information for the public about what type of funding RCD receives.
Response I-4	Comment noted. Please see Response E-2 regarding the required areas of review of a Municipal Service Review.