

MIDCOAST COMMUNITY COUNCIL

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**RECEIVED
IN THE OFFICE OF
RICHARD L. SILVER**

JUN 13 1997

**CLERK OF THE
BOARD OF SUPERVISORS**

April 9, 1997

Sab Mateo Couty Board of Supervisors
Attention: Mr. Richard Silver, Clerk of the Board
Hall of Justice and Records
401 Marshall Street
Redwood City, CA 94063

During the last eighteen months, the Forms of Good Government Committee (FOGG) has researched the alternatives to remaining an unincorporated part of San Mateo County. The FOGG Committee researched these alternatives in as much detail as it could, with the guidance of the LAFCo executive, Peter Banning and a consultant, Walter Keiser. At its last meeting on March 26, 1997, the Forms of Good Government Committee reported back to the Midcoast Community Council, recommending that the MCC seek funding and staff time from San Mateo County to complete a study to determine if either incorporation of our area into a city or annexation of our area by Half Moon Bay is politically and economically possible.

The Midcoast Community Council unanimously passed a resolution to request that San Mateo County provide both funding and staff time necessary to complete such a "fatal flaw" study. As the first step in this request, the Midcoast Community Council would like to meet privately with the County Board of Supervisors to discuss our request before you agendize the request for a vote. To keep our discussions within the parameters of the Brown Act, we request that the date and time of the meeting be posted and made public, and that the public be permitted to attend.

Our intent in conducting the study is to determine if it is possible for the area represented by the Midcoast Community Council to achieve local control over land use decisions, since many residents complain that they have no voice with the San Mateo County Planners. There may be other advantages to either incorporation or annexation as well. We desire to have a determination regarding feasibility of either or both approaches, and to determine which direction is preferred (if any, as an alternative to our current status) by the Midcoast voters and residents.

We will contact you to arrange the initial meeting.

Signed:

Ric Lohman
Chair

David Spiselman
Vice Chair

DATE: January 3, 1997
TO: Suspense, Mid-Coastside
FROM: Peter Banning, Consultant to LAFCo
SUBJECT: December 19, 1996 meeting w/ FOGG Subcommittee

I met w/ the sub-committee for the purpose of describing the fiscal outlook for the annexation of the unincorporated Mid-Coastside area to the City of HMB. The news wasn't very good:

The costs of annexation would exceed revenues by a substantial margin. On the cost side, the economies of scale that are commonly expected in annexation scenarios are not present here because the city is operating at the ragged edge now. Police, Planning, Public Works and Administrative costs all would add proportional, not marginal, costs to the city's budget and make unworkable current city offices (city staff and police offices are presently crammed; the city does not even have a corporation yard). Neither recreation costs nor capital costs were included in my rather crude study. Potential economies of scale from the reorganization of sanitary and fire districts would not significantly affect the result unless perhaps the sanitary districts and SAM could all be dissolved.

Additional service responsibilities would exacerbate current city problems unless they came with substantial revenues and that is not the case here. Property tax, sales tax, business licence tax and TOT revenues in the unincorporated area all lag substantially behind comparable revenues in Half Moon Bay - in both absolute and per capita amounts. The gap in sales tax revenue is especially large: \$74 per capita in HMB (the low end of the norm for incorporating areas) versus \$20 per capita in the Mid-Coastside. *In short, the unincorporated area would be a liability to the city.* Annexation would put the city back more than \$500,000 a year assuming that the management problems could be finessed. In reality, annexation of the entire area all at one time would be a chaotic and overwhelming prospect.

Incorporation would naturally be even worse under current law. Last May when Walter Kieser and I met with the subcommittee, I had estimated a shortfall of about \$800,000 per year, again not including start-up, capital improvement, park/recreation costs. With a bit more effort this time identifying additional revenues as well as better cost info, I estimated the shortfall at over \$1.35 million per year with the same exclusions.

I explained to the sub-committee that the results meant that they had to think in terms of staged annexation of parts of the unincorporated area, dealing continuously and cooperatively w/ the city, acting to identify and define community goals especially including acceptable economic development projects that would expand the area's revenue base.

Incorporation Summary

| Costs | May Est. | Revised |
|-----------------------------------|---------------|-------------|
| Police | 1,432,678 | 1,403,270 |
| Public Works (street maint. only) | 254,000 | 693,700 |
| Parks and Recreation | Not estimated | |
| Planning | 275,000 | 322,600 |
| Administration/Council | 250,000 | 651,500 |
| Council Stipends | 6000 | |
| Insurance | 170000 | |
| City Manager | 117000 | |
| Finance Dir | 90000 | |
| Clerical | 150000 | |
| Contracts: Attorney | 45000 | |
| Office Space | 73500 | |
| Total Costs | 2,211,678 | 3,071,070 |
| Revenues | | |
| Sales Tax | 207,300 | 238,395 |
| Property Tax | 462,000 | 462,000 |
| State Subventions | 552,000 | 552,000 |
| Transient Occupancy Tax | 122,000 | 149,000 |
| Fees for Service | | 103,232 |
| Business Lisence tax | 76,000 | 76,000 |
| Francise Taxes | | 136,673 |
| Total Revenues | 1,419,300 | 1,717,300 |
| Revenues less Costs | (792,378) | (1,353,770) |

Annexation Summary

Costs

| | | |
|-----------------------------------|---------------|-----------|
| Police | | 1,148,270 |
| Public Works (street maint. only) | | 693,700 |
| Parks and Recreation | not estimated | |
| Planning | | 98,500 |
| Administration | | 230,000 |
| Asst. Manager | 85000 | |
| Finance Asst. | 75000 | |
| Clerical (2) | 70000 | |
| Office Space | | 46,200 |
| Total Costs | | 2,216,670 |

Revenues

| | | |
|-------------------------|--|-----------|
| Sales Tax | | 238,395 |
| Property Tax | | 403,795 |
| State Subventions | | 552,000 |
| Transient Occupancy Tax | | 149,000 |
| Fees for Service | | |
| Planning | | 137,000 |
| Business Lisence tax | | 76,000 |
| Francise Taxes | | 136,673 |
| Total Revenues | | 1,692,863 |
| Revenues less Costs | | (523,807) |

Data Comparisons

| | Unincorp | Half Moon |
|-----------------------|----------|-----------|
| Population | 11700 | 11300 |
| Per Cap Assessed Val. | 59402 | 77168 |
| Per Cap Sales Tax | 20 | 74 |
| Total Employment | 1520 | 2820 |

PROPOSAL FOR MIDCOAST INCORPORATION FISCAL FEASIBILITY STUDY

1. BACKGROUND

San Mateo County's unincorporated Midcoast includes the communities of El Granada, Moss Beach, Princeton, Mirimar and Montara. The area has around 11,700 residents and covers approximately 15 square miles. Public services are provided by San Mateo County, two sanitary sewer districts, two fire districts, one independent water district, a water utility company and a joint powers authority for sewage treatment. In 1984, the San Mateo County Local Agency Formation Commission (LAFCO) adopted sphere of influence for the Midcoast which call for a single coastside city including the City of Half Moon Bay and unincorporated areas to the north, bounded by the urban rural boundary. Implementation of these spheres would involve consolidation of the City of Half Moon Bay and a number of special districts, including the, montara and Granada Sanitary Districts, Half Moon Bay and Pt. Montara Fire Districts and Coastside County Water District.

The Midcoast Community Council (MCCC), formed in 1991 as an elected municipal advisory council, has worked with the Board of Supervisors, County staff aided LAFCO on evaluating various alternatives to local government organization on the Midcoast, including formation of a park district, annexation to the City of Half Moon Bay, and incorporation. Most recently, data prepared between April and December of 1996 by Peter Bannng, former LAFCO Executive Officer, indicated that annexation would result in annual fiscal deficit of approxiknately \$500,000, and incorporation would result in a shortfall ranging from \$800,000 to \$1.35 million per year, These estimates were based on revenue data from the 93/94 fiscal year and excluded capital improverment costs.

In April of 1997, the MCCC passed a resolution requesting that San Mateo County provide both fundiig and staff time necessary to complete a study to determine if either incorporation or annexation to Half Moon Bay is politically and econornically feasible. The following outlines the methodology and scope of a fiscal study that cotild be completed jointly by County Planning and LAFCO staff.

II. STUDY OBJECTIVES

The proposed study will assess the fiscal feasibility of annexation and incorporation, giving consideration to desired service levels, alternative service provision arrangements and land use development potential. Findings could then be used to determine public support for the alternatives identified and whether a comprehensive fiscal analysis should be prepared as part of an application to LAFCO-

III. SCOPE OF WORK

Task 1: Define Study Parameters

Upon commencement of the study, the project team will meet with representatives of the Midcoast Community Council, City of Half Moon Bay, and San Mateo County to define the parameters of the study. In particular, staff will seek guidance on service level assumptions to be used and specific service provision scenarios to be analyzed. This task will aim at accomplishing the following:

Define the extent of services to be analyzed. Services to be examined may include basic services, parks and recreation services, and other services currently provided by special districts.

Identify alternative service provision arrangements to be evaluated, including assumption of special district service provision responsibilities, consolidation of special districts, and contracting out for some services.

Inventory existing service, levels and determine target levels of service on which to base the study.

Task 2: Conduct Fiscal Analysis

Annual costs of providing the services identified in Task 1 will be

prepared based on budget data available from relevant local and state agencies and previous work by Peter Banning. Analysis will be limited to expenditures for service provision, and will exclude capital improvement costs.

Annual revenues will be estimated based on data available from the County Assessor, City of Half Moon Bay, and previous work by Peter Banning. For each service provision and incorporation/annexation scenario, costs and revenues will be itemized in table form, along with

The fiscal impact of alternatives such as assumption of special district services and contracting out for services will be evaluated using current budget data and information to be provided by affected agencies.

Task 3: Conduct Land Use Analysis

The land use analysis will determine the revenue generating potential for various land uses that could potentially be located in the Midcoast. Estimated costs and revenues for each land use type will be presented in table form, and land uses will be ranked in terms of their revenue generating potential. An assessment will be made as to locational needs and infrastructure demands of the key fiscally beneficial land uses, as well as existing coastal protection and other regulatory constraints. The land use analysis will present examples of the levels and types of development that would be required to offset any identified fiscal shortfalls under the various incorporation scenarios.

Task 4- Prepare Summary Report

The project team will prepare a summary report presenting the findings of the fiscal analysis and land use analysis. The report will provide an overall assessment of fiscal feasibility of annexation and incorporation, identifying estimated net fiscal effects, and the potential for mitigation by alternative, service provision arrangements

and revenue generating land uses, in view of the findings of the fiscal and land use analyses, the report will also include a discussion of the LAFCO process. Finally, the report will present an evaluation of the need for further study by consultants if there was to be an application to LAFCO.

The project team will prepare a draft report, which will be available for review and comment by the MCCC and appropriate agencies. Upon receiving comments, the project team will prepare a final report.

IV. PROJECT TEAM

Under the general direction of Paul Koneig, Environmental Services Agency Director and LAFCO Executive Officer, the project team will consist of Martha Poyatos, LAFCO Administrative Analyst, and George Bergman, Senior Planner and Andrew Delaney, Planner II, both with the Planning and Building Division.

Ms. Poyatos will be primarily responsible for the fiscal components of the study. Ms. Poyatos has worked for LAFCO for four years, providing policy and fiscal analysis of proposals for boundary changes, annexations and incorporations.

Mr. Bergman will conduct the study's land use analysis. Mr. Bergman has been a land use Planner with San Mateo County for 17 years. Since 1987, he has been the Senior Planner for Long Range Planning, and has conducted various Coastside studies including broadening land use options in Princeton, implication of substandard lot development in the Midcoast, greenhouse compatibility in Pescadero, and policy changes to foster agriculture in the rural Coastal Zone.

Andrew Delaney, Planner II in the Planning and Building Division, will assist with both the fiscal analysis and the land use analysis. Mr. Delaney will be responsible for data collection and analysis, and will assist in drafting the report. Mr. Delaney recently joined the County of San Mateo after working for an urban economics, consulting firm for two years, where he gained experience conducting fiscal analyses for cities and counties throughout the state.

V. SCHEDULE

Staff will complete a draft report within ten weeks of beginning work on the project. The draft report will be made available for review and comments. Assuming comments do not require substantial amounts of additional data collection or analysis, staff will complete a final report within two weeks of receiving comments on the administrative draft. Thus, it is estimated that the study will be completed from 14 to 16 weeks after work commences.

Midcoast Incorporation Study

August 5, 1997