

**MINUTES  
REGULAR CITY COUNCIL MEETING  
MONDAY, APRIL 10, 2006**

Mayor Kasten called the regular meeting to order at 6:08 p.m. at the Hillsborough Town Hall, 1600 Floribunda Avenue, Hillsborough, California.

**ROLL CALL:** Present: Krolik, Regan, Fannon, Mullooly, Kasten

**MINUTES:** The minutes of the March 13, 2006 City Council meeting were approved as submitted. Vice Mayor Mullooly made a correction to Item 10 on Page 4 of the minutes of the January 9, 2006 City Council meeting.

**PROCLAMATION:**

- Mayor Kasten presented a proclamation to Mr. Robert Gay, District Manager of the San Mateo County Mosquito Abatement District, for the "West Nile Virus and Mosquito and Vector Control Awareness Week", April 24-30, 2006.

**PRESENTATION:**

- The Town of Hillsborough and Finance Director Edna Masbad were recognized for receiving the Government Finance Officers Association's Certificate of Achievement for Excellence in Financial Reporting.

**The Hillsborough City Council recessed its regular meeting and convened a meeting of the Hillsborough Public Improvement Corporation (HPIC) to approve the minutes of the March 13, 2006 meeting and then reconvened the regular meeting of the City Council**

**CONSENT CALENDAR:**

On motion of Vice Mayor Mullooly, seconded by Councilmember Regan, and unanimous on voice vote, Consent Calendar Items 1 through 8 were approved.

1. MONTHLY CLAIMS: MARCH 1 THROUGH MARCH 31, 2006

The monthly claims for the month of March 2006 in the amount of \$2,223,657.01 were approved as submitted.

2. QUARTERLY TREASURER'S REPORT

The Treasurer's Report for the quarter ending March 31, 2006 was approved.

3. QUARTERLY INTEREST RATE PRODUCTS (SWAP) REPORT

The Interest Rate Products Report for the quarter ending March 31, 2006 was accepted.

4. ORDINANCE AMENDING SECTIONS 13.32.105 AND 13.34.030 OF THE HILLSBOROUGH MUNICIPAL CODE TO MODIFY SEWER CONNECTION FEES AND SERVICE CHARGES EFFECTIVE JULY 1, 2006

June 12, 2006 was set as the public hearing date to consider adoption of the ordinance amending Sections 13.32.105 and 13.34.030 of the Hillsborough Municipal Code to modify sewer connection fees and service charges effective July 1, 2006.

5. RESOLUTION SETTING THE AMOUNT OF THE SPECIAL TAX FOR POLICE PROTECTION AND FIRE PROTECTION AND PREVENTION FOR FISCAL YEAR 2006-2007

The resolution setting the amount of the public safety tax for fiscal year 2006-2007 was adopted.

6. RESOLUTION ADOPTING THE BUDGET ADJUSTMENTS FOR FISCAL YEAR 2005-2006

The resolution adopting the budget adjustments for fiscal year 2005-2006 was adopted.

7. RESOLUTION ACCEPTING THE FISCAL YEAR 2006 SUPPLEMENTAL LAW ENFORCEMENT SERVICES FUND (SLESF)

The resolution accepting the \$100,000 offered through the State Supplemental Law Enforcement Services Fund (SLESF) grant and approving the use of these monies to fund the purchase of equipment, technology, salaries and program supplies, which will enhance front line municipal police services and community crime prevention programs, was adopted.

8. RESOLUTION APPROVING THE CSG SERVICE ORDER FOR ADDITIONAL ENGINEERING DESIGN FOR THE EL ARROYO WATER TANK REPLACEMENT PROJECT

The resolution approving the CSG service order for additional engineering design for the El Arroyo Water Tank Replacement Project in the total amount of \$55,300 and authorizing the funds from the 2003 Water and Sewer Bond was adopted.

**NEW BUSINESS:**

9. RESOLUTION ADOPTING A RISK MANAGEMENT POLICY

Assistant City Manager Kathy Leroux explained that the Town is a member of the Association of Bay Area Governments Pooled Liability Assurance Network (ABAG PLAN). Last year ABAG conducted a Risk Control Survey of participating cities and outlined the areas of greatest exposure. The data was used by ABAG to create a “best practices” program in which participating cities adopt policies, guidelines and ordinances necessary to assist with identifying, measuring and controlling loss exposures. The Town of Hillsborough has some of the “best practices” criteria currently in place and staff is working with ABAG to complete the program. Once the policies are in place, the Town may be eligible for grant funds from ABAG.

Ms. Leroux stated that one of the steps in complying with the program is to adopt a Risk Management Policy. The policy enforces the Town’s commitment to reduce the risk of loss for employees, residents, visitors, and their property and to protect the Town’s budget from catastrophic losses.

Vice Mayor Mullooly asked if the Risk Management Committee was a four member group. Ms. Leroux replied that the Risk Management Committee includes the Assistant City Manager, Fire Chief, Police Chief, and Public Works Supervisor.

Mayor Kasten asked how the Risk Management goals were developed for the Town of Hillsborough. Ms. Leroux responded that the Risk Management goals are standard and that they were developed in conjunction with ABAG.

On motion of Councilmember Krolik, seconded by Councilmember Fannon, and unanimous on voice vote, the resolution adopting a Risk Management Policy was adopted.

10. RESOLUTION APPROVING THE CONTRACT WITH JMB CONSTRUCTION, INC. FOR THE EL ARROYO TANK REPLACEMENT PROJECT

City Engineer Cyrus Kianpour reported that in 1991, CH2M Hill evaluated the Town’s tank sites and provided a general condition rating and recommended a decommissioning date for each tank. Included in their findings was a recommended decommissioning date of 2003 for the two El Arroyo tanks. In 2003, CW Divers conducted more detailed studies of several tanks and identified structural defects in

the El Arroyo tanks, the Major Hayes tank, and two of the Darrell tanks, with the El Arroyo defects presenting the greatest risk of failure. All structural repairs have been completed except at the El Arroyo tank site.

Mr. Kianpour stated that the El Arroyo tank inspections revealed that there are many deficiencies within the tank structure and the coating system. The reports recommended replacement of the interior ceiling rafters, roof supports, and noted damage to the floor and walls. The coatings on the interior and exterior of the tanks were also recommended for replacement. Coatings are made of highly durable materials to prevent the tanks' steel from rusting. These tanks also require earthquake retrofitting. Due to the many structural defects identified within both tanks, it was determined that it would be more cost-effective to replace the El Arroyo tanks, which were built in the 1940's, rather than complete the extensive repairs needed.

Mr. Kianpour explained that the benefits of a new tank include reduced maintenance costs, longevity closer to 100-year tanks, seismic safety, and improved water quality, and that replacements are cost-effective compared to upgrading and rehabilitating existing tanks.

Mr. Kianpour added that the replacement of the tanks will include demolition of the existing water tanks, erection of two new welded steel water tanks, installation of new on-site and off-site water mains and flow control devices, demolition and rebuilding of the existing pump house, landscaping, and general site improvements. This project will require nine months to construct with an estimated start date of May 1, 2006. One tank will remain in service at all times, as the El Arroyo tanks service approximately 20% of the Town's residences.

Mr. Kianpour stated that it is anticipated that the site work will include handling and disposal of potentially contaminated soil and/or materials due to the presence of lead paint on the existing tanks and oiled sand in the tank foundations. Costs to the Town associated with handling and disposal are not expected to exceed \$100,000.

Mr. Kianpour stated that the Town received three bids and JMB Construction, Inc. was the low bidder with a proposal of \$2,354,800. All three bids featured the same tank manufacturer as a subcontractor, and staff has met with the subcontractor to determine their qualifications.

Mr. Kianpour recommended an allocation of \$150,000 to cover anticipated costs associated with this project including contracting with specialized inspectors that can evaluate steel fabrication, welds, and paint coatings, and to remediate contaminated soils. An additional contingency of \$200,000 is recommended for unforeseen expenses.

Mr. Kianpour stated that this project is in the Capital Improvement Project (CIP) budget as "Water System Storage Improvements" and will be funded by the 2003 and 2006 Water and Sewer Bonds.

Councilmember Fannon asked if Agenda Item #8 was included in the cost for Agenda Item #10. Mr. Kianpour replied that the CSG Service Order for additional engineering design for the El Arroyo Water Tank Replacement Project includes the additional work for a new water main. Councilmember Fannon asked if the Town has ever used JMB Contractors, Inc. in the past. Mr. Kianpour replied that JMB Contractors, Inc. is currently working for the Town on the Water Main Replacement Phase IV Project.

On motion of Vice Mayor Mullooly, seconded by Councilmember Fannon, and unanimous on voice vote, the resolution approving the contract with JMB Contractors, Inc. for the El Arroyo Tank Replacement Project in the amount of \$2,354,800, and allocating a project budget of up to \$2,704,800 from the 2003 and 2006 Water and Sewer Bonds for the same was adopted.

11. RESOLUTION APPROVING THE DISADVANTAGED BUSINESS ENTERPRISE (DBE) PLAN FOR STATE AND FEDERALLY FUNDED PROJECTS

City Engineer Cyrus Kianpour reported that the Town of Hillsborough was approved to receive \$114,000 in grant funds from the Surface Transportation Program (STP) for the Crystal Springs Road Improvement Project. Funds secured from the State will be used to construct guardrails and street resurfacing on a segment of Crystal Springs Road (from El Cerrito Avenue southward to the Town limit, approximately 1,400 feet north of Tartan Trail Road). State and federal guidelines require each agency to have an updated Disadvantaged Business Enterprise (DBE) plan annually establishing the goal for inclusion of various disadvantaged businesses for implementation of this type of project. The California Department of Transportation (CalTrans) has approved the Town's DBE plan and the last step in this process is adoption by the City Council.

Mr. Kianpour stated that currently CalTrans is evaluating the results of a lawsuit claiming that the DBE plans that are race conscious are no longer legal. In the meantime, the DBE plan has been extended until May 1, 2006. If the DBE plan is found to be legal, the Town will proceed with the grant funding. If a decision is made regarding a race neutral rather than a race conscious plan, the DBE plan will not be implemented.

Councilmember Regan asked if the state funds will be used for just this one project. Mr. Kianpour replied that the DBE plan will only be used for this project on Crystal Springs Road, as the funds are only for federal and state projects. Councilmember Regan asked if it was difficult finding DBE contractors, and can the Town end up paying more for the work since there is less competition. Mr. Kianpour replied that if there are no DBE contractors in San Mateo County, contractors from outside of San Mateo County can be used. Councilmember Regan asked if the Town has used a DBE plan in the past. Mr. Kianpour replied that the Town used a DBE contractor for the Skyline Paving Project.

Mayor Kasten asked if using DBE contractors will increase the cost of the project. Mr. Kianpour replied that there may be more administrative costs involved in the project.

On motion of Councilmember Fannon, seconded by Councilmember Krolik, and unanimous on voice vote, the resolution approving the Town's Disadvantaged Business Enterprise (DBE) plan for state and federally funded projects was adopted.

12. PRESENTATION REGARDING THE SELECTION OF AGGREGATE MATERIALS FOR STREET PROJECTS

Public Works Director Martha DeBry stated that the Town's streets have been designed with an aesthetic goal of creating a uniformly dark street surface. Members of the public associate the black appearance with new streets, and in order to meet public expectations engineers tend to require black aggregate materials. Over time as the asphalt ages, black aggregates will have a grey appearance. Grey aggregates tend to have a lighter appearance from the time of construction.

Ms. DeBry explained that recent studies indicate that in terms of strength and performance, black and grey materials are equal. However, black aggregate materials must be shipped longer distances from the Central Valley to the Bay Area, in contrast to grey aggregates which are available locally. Thus equal quantities of grey and black materials will vary in costs. In 2005, the Town spent \$19,000 because it specified black aggregate over the grey aggregate. In order to stretch limited capital dollars, staff believes the use of grey aggregates will allow more street segments to be treated annually.

Mr. Don Barrett of Granite Rock provided a presentation on the benefits of light colored aggregate. He stated that using grey aggregate creates a cooler pavement temperature which results in a ten-fold reduction in roadway rutting and shoving deformation, which are the significant causes of roadway failure. The use of grey aggregate material results in a cooler pavement surface temperature, slowing the aging effects of sunlight on emulsion and asphalt materials. With aging from higher temperatures, the pavement becomes brittle or stiff, shortening the pavement's life.

Mr. Barrett added that darker aggregate materials increase pavement temperatures. As pavement temperatures increase, outdoor temperatures also increase creating a heat island effect. Residents respond with air conditioning. The result is increased energy usage and cost. He stated that higher temperatures can also result in increased air pollution.

Mr. Barrett stated that streetlight and headlight effectiveness is improved when street pavements are more reflective with the grey aggregate. Improved lighting is likely to reduce pedestrian and vehicle accidents.

Mayor Kasten asked Mr. Barrett if he sold both black and grey aggregate. Mr. Barrett replied that his company only sells the grey aggregate.

Councilmember Fannon asked if all of the Town's streets used black aggregate in the past. Ms. DeBry responded that black aggregate was always specified in the past.

Councilmember Regan asked how long does it take for the black aggregate to turn grey. Mr. Barrett responded that it could take months to a year for the lighter effect.

Councilmember Fannon asked Ms. DeBry if grey aggregate will be specified when it is more cost-effective. Ms. DeBry replied that the most cost-effective material will be used and that no color will be specified. Mr. Barrett added that if the color is not specified, a contractor is not going to use black aggregate.

Police Chief Matt O'Connor asked if vehicles will skid more with the black or grey aggregate. Mr. Barrett responded that the size of the aggregate and finish affect the road traction, not the color. Steeper surfaces require Type 3 which is a coarser aggregate.

Councilmember Krolik stated that she did not want to see a patchwork look in Hillsborough. Mr. Barrett replied that the pavement will stay black with the emulsion on the new surface, and will remain black until the surface treatment is worn away. Vice Mayor Mullooly asked if the Town does long segments of road at a time. Ms. DeBry responded that last year 14 miles were paved.

Mayor Kasten thanked Ms. DeBry and Mr. Barrett. On motion of Councilmember Fannon, seconded by Councilmember Krolik, and unanimous on voice vote, the recommendation to specify grey aggregate material when it is more cost-effective was accepted.

13. REQUEST DIRECTION FROM THE CITY COUNCIL REGARDING THE STREETLIGHT ON EDGE COURT DRIVE

Public Works Director Martha DeBry stated there are currently 124 streetlights in Town, most of which are mounted on PG&E poles. The Town owns streetlights on De Sabla Road and in the Elmwood Subdivision at Edgecourt Drive and Geri Lane. The Elmwood Subdivision was approved with six streetlights that were accepted as public improvements. The Town has paid for the electricity to operate the lights and maintenance since the late 1940's. Originally there were two streetlights on Edgecourt Drive, but a light on Edgecourt Drive fell in 2000 because it rusted at the base. That light was removed from service.

Ms. DeBry added that the remaining streetlight at the end of the cul-de-sac between 2165 and 2170 Edgecourt Drive is the one at issue. The Town attempted to restore power to the streetlight and that inspection by qualified electricians revealed that the wires supplying electricity to the light standard have corroded to the point of failure. Replacing these wires would involve trenching in the street and would cost tens of thousands of dollars.

Ms. DeBry stated that the Town expressed an intention to remove the streetlight, given the fact that the Town does not offer street lighting on other streets except in this subdivision and one light on De Sabla Road, but that neighbors on Edgecourt Drive expressed concerns. In the opinion of Assistant City Attorney Penny Greenberg the Town has no obligation to keep the streetlight in service. The neighbors on Edgecourt Drive offered to connect the streetlight to a private electrical service.

Ms. DeBry stated that Town staff found that the streetlight could be returned to operation by adding a solar panel to the existing standard. Staff presented this option to the residents at 2165 and 2170 Edgecourt Drive, who approved the aesthetic impact of adding a solar panel to the existing light pole. The cost for the installation of the solar panel will be \$4,500 from Eagle-1 Manufacturing of Redmond, Washington.

Ms. DeBry added that two of the four streetlights on Geri Lane have also failed. These lights were evaluated as possible candidates for solar retrofitting. Unfortunately, due to the heavy foliage on that street, solar panels cannot be effectively used.

Ms. DeBry stated that the second option would be to remove the existing streetlight and not proceed with any modifications to the streetlight system.

Vice Mayor Mullooly asked if the residents on Geri Lane were concerned about their streetlights. Ms. DeBry stated that no concern has been expressed about the Geri Lane streetlights. Vice Mayor Mullooly asked if the solar panel is installed on the Edgecourt Drive streetlight could the Town deed the streetlight to the property owners. Ms. DeBry replied that the Town could abandon the streetlight in the right-of-way.

Councilmember Regan asked if the Town could abandon the current streetlight without installing the solar panel. Ms. DeBry stated that she had not explored the idea of having the neighbors themselves install the solar panel on the light pole.

Mayor Kasten asked Ms. DeBry if the solar streetlights only provide a six hour luminescent period. Ms. DeBry responded that the system is sized to provide only six hours of light each night.

Vice Mayor Mullooly stated that there are other areas in Town just as dark as Edgecourt Drive and that if the Town installs one solar light panel that other residents would want streetlights also.

On motion of Councilmember Regan, seconded by Councilmember Fannon, unanimous of voice vote, the City Council recommended that the Town deed the streetlight pole to the property owners on Edgecourt Drive provided that the property owners agree to install a solar streetlight retrofit kit, and if the property owners fail to agree to these terms, the Town will remove the pole.

#### 14. HILLSBOROUGH BEAUTIFICATION FOUNDATION SURVEY FOR UNDERGROUNDING UTILITIES

Public Works Director Martha DeBry stated that the Hillsborough Beautification Foundation (HBF) would like to send a mail survey to a limited number of residents to determine if there is substantial interest in creating a benefit assessment district for undergrounding utility lines.

Mr. Harry Hanson, HBF member, stated that in 2004, the HBF sponsored a survey of residents regarding undergrounding utility lines. The survey indicated that within certain neighborhoods there may be sufficient interest to underground facilities.

Councilmember Fannon asked when PG&E intends to underground Ralston at Eucalyptus with the 20A Funded Project. City Engineer Cyrus Kianpour responded that the project is still going through PG&E's engineering department, and that he anticipates that the engineering design will be completed by the end of the year.

Councilmember Regan recommended that the letter should be printed on HBF's letterhead and that the survey should include the comment about the additional connection fee of \$1,500 - \$5,000 to connect the underground lines from the street to the house. Mr. Hanson stated that HBF will fully disclose the connection fee in the survey.

Vice Mayor Mullooly stated that in the last sentence of the third paragraph of HBF's letter "annually" should be next to the dollar amount to read "\$1,900 annually".

Mayor Kasten asked if five residents are not interested in undergrounding utilities, could the five residents be forced to pay for the undergrounding. City Attorney Norm Book replied that a lien could be placed against the unwilling property owners, but the Town may not want to do that.

Vice Mayor Mullooly stated that there should be a 100% neighborhood consensus for the undergrounding. Ms. DeBry stated that she advised the HBF that consent of all affected property owners would be needed before the City Council would consider the creation of a benefit assessment district, as the Town would not want to impose a significant tax burden on unwilling residents. In theory if the required percentage of owners under the existing ordinance wanted to form a benefit assessment district, creating the district and assessment would be at the discretion of the City Council.

Mayor Kasten thanked Ms. DeBry and Mr. Hanson. Mr. Hanson stated that HBF will distribute the survey for undergrounding utilities, and report back to the City Council regarding the results of the survey.

#### **PUBLIC HEARING:**

15. CONSIDERATION OF THE FINAL ARCHITECTURE AND DESIGN REVIEW OF PLANS FOR A NEW HOUSE OVER 8,000 SQ. FT. IN SIZE AT 1 MOUNTAIN WOOD LANE; Mr. and Mrs. Steve Herbert, Applicants

Assistant City Planner Gina Tynan stated that Councilmembers visited the vacant lot at 1 Mountain Wood Lane during the Site Visit this afternoon. This application for a new house and related landscape plan for the vacant lot requires final design approval by the City Council because the total square footage of the house exceeds 8,000 sq. ft. The application conforms to all Town requirements and standards and no appeal has been filed. This property is the "entry" lot in the Stonebridge Subdivision.

Ms. Tynan stated that the ADRB first considered the project on August 15, 2005. The ADRB asked the applicant to improve the detailing so that the house had a more authentic style and greater elegance. The applicant revised the plans and at its meeting of November 7, 2005, the ADRB unanimously recommended that the application be forwarded to the City Council subject to the applicant further refining some of the design elements. These additional refinements were subject to review and approval by staff. The applicant refined the design and staff administratively approved the revisions on January 26, 2006.

Ms. Tynan stated that the 8,678 square foot house has two stories, a basement and a three car garage. The Floor Area Ratio (FAR) calculation (taking into account the basement area) is 7,579 square feet, or 13% FAR. The 1.36 acre lot includes the small piece of land across Mountain Wood Lane on the north side of the street, which will be landscaped and maintained by the property owner. The project complies with height, setback, and size requirements. The style of the house is Italian Renaissance with a stucco exterior, antiqued Italian clay roof tiles, wood shutters, pre-cast stone trims and wrought iron details.

Ms. Tynan explained that the landscape plan and the bridge for the driveway are consistent with the limitations which are imposed on this site for the riparian habitat plan which is a mitigation measure from the project Environmental Impact Report (EIR). A large area of the property must be maintained in a natural setting, as reflected on the plans.

Councilmember Krolik complimented the owners on the beautiful site and for being environmentally conscious by using green building methods.

Vice Mayor Mullooly asked Ms. Tynan if the swimming pool has been signed off by the neighbors, if the retaining wall is only five feet tall, and if there is any fire hazard to having the iron work on the windows. Ms. Tynan replied that the swimming pool has been signed off by the neighbors, the retaining wall is only five feet tall, and that the iron work on the windows is just ornamental and is located on windows near a large staircase.

Mayor Kasten opened the public hearing. There were no comments. The public hearing was closed. On motion of Vice Mayor Mullooly, seconded by Councilmember Krolik, and unanimous on voice vote, the ADRB's recommendation was accepted and the final architecture and design review of plans for a new house over 8,000 square feet in size at 1 Mountain Wood Lane as submitted was approved, subject to compliance with the Standard Conditions and mitigation measures related to the Stonebridge Subdivision EIR.

16. FUNDRAISING EVENT PERMIT APPLICATION 06-04 FOR THE PARCA AUXILIARY LUNCHEON AND FASHION SHOW FUNDRAISER AT 350 WEST SANTA INEZ AVENUE

Deputy City Clerk Miyuki Yokoyama stated that the PARCA Auxiliary submitted an application to conduct its Luncheon and Fashion Show Fundraiser at 350 West Santa Inez in Hillsborough. This event is proposed to take place on Wednesday, May 24, 2006 from 8:00 a.m. to 3:00 p.m. Public Notices have been sent to owners of the properties located within a 500-foot radius of the property. The Police, Fire and Building Departments have approved the application and have submitted their comments and recommendations.

Mayor Kasten opened the public hearing. Ms. Paige Burns of the PARCA Auxiliary thanked the City Council for the opportunity to raise funds for PARCA. Mayor Kasten closed the public hearing.

On motion of Councilmember Krolik, seconded by Councilmember Fannon, unanimous on voice vote, the Fundraising Event Permit Application 06-04 for the PARCA Auxiliary Luncheon and Fashion Show Fundraiser on May 24, 2006, subject to the conditions recommended by staff, was approved.

17. RESOLUTION ADOPTING THE BUDGET FOR FISCAL YEAR 2006-2007

Finance Director Edna Masbad explained that the Town of Hillsborough's proposed budget for fiscal year 2006-2007 with preliminary budgets for fiscal year 2007-2008 and 2008-2009 is presented to the City Council for consideration. The proposed budget for fiscal year 2006-2007 represents the Town's financial plan for all

programs and services. The proposed budget reflects a General Fund balanced budget and adequate reserve levels and compliance to the Town's budget and fiscal policies in all funds. The plan also includes the fiscal year 2006-2007 Capital Improvement Budget that is consistent with the Town's General Plan.

Ms. Masbad further explained that the plan also recommends a 12% increase in sewer rates effective July 1, 2006. Water revenue projections include a 10% increase in water rates to take effect on January 1, 2007 consistent with the projections required to pay the additional debt service for the new \$12M bond issue to continue the enterprise's capital improvement program and in anticipation of the increased cost of wholesale water. However, consideration and approval for the water rate increase is deferred pending completion of a water rate structure study.

Ms. Masbad stated that the plan was reviewed and discussed by the Financial Advisory Committee (FAC) on March 22, 2006. The FAC approved the proposed budget for recommendation to the City Council.

Mayor Kasten complimented Ms. Masbad for producing a great document which is very transparent. Mayor Kasten asked why \$2.7 million was allocated for the El Arroyo tank site improvements, \$1.450 million for the Vista tank site improvements, but only \$1 million was allocated for the Darrell tank site improvements. City Engineer Cyrus Kianpour replied that the Darrell tank will be completed in a different timeframe than the El Arroyo and Vista tank site improvements. The Darrell tank site is the largest storage tank and is at the highest point in Hillsborough. The cost of steel and concrete could affect the cost of the project. Public Works Director Martha DeBry added that the Major Hayes and Vista tank sites will be connected, and if they can function as one, the Town may abandon Major Hayes.

Mayor Kasten opened the public hearing. There were no comments. Mayor Kasten closed the public hearing. On motion of Councilmember Fannon, seconded by Councilmember Regan, unanimous on voice vote, the resolution adopting the budget for fiscal year 2006-2007 was adopted.

18. RESOLUTION SETTING AND CONFIRMING THE FEES AND CHARGES FOR FISCAL YEAR 2006-2007

Finance Director Edna Masbad stated that annually, the City Council is required to adopt by resolution the fees and charges for the following fiscal year. The schedule represents the Town's master schedule that includes all the fees and charges, such as the sewer and water connection and service charges and the public safety special tax. However, under the law, changes to the water and sewer rates require ordinance changes. The public safety special tax are presented to the City Council as individual agenda items requiring separate actions.

Ms. Masbad explained that changes to existing fees, as well as new fees being proposed this year, are outlined in the master Schedule of Fees and Charges presented as Appendix B of the budget document. The fees reflect the Town's goal towards total cost recovery in user fees where revenues do not exceed the cost of providing the service. Also included in the budget document (Appendix D) is the 2006-2007 Cost Allocation Plan reflecting the hourly rates used in the development of the fees. The new fees are to take effect on July 1, 2006.

Ms. Masbad stated that the grading fees on page 8 of Appendix B will be amended to be \$759 for less than 500 cubic yards to be moved, \$1,247 for 500-1,499 cubic yards to be moved, and \$2,531 for more than 1,500 cubic yards to be moved. The plan check fee will be \$110 per hour and \$165 per hour for an expedited process with a four-day turnover.

Mayor Kasten thanked Ms. Masbad and opened the public hearing. There were no comments. Mayor Kasten closed the public hearing. On motion of Councilmember Krolik, seconded by Vice Mayor Mullooly, unanimous on voice vote, the resolution setting and confirming the fees and charges for fiscal year 2006-2007 was adopted.

19. RESOLUTION APPROVING THE CONSTRUCTION VEHICLE IMPACT FEE AND SETTING THAT FEE AT 0.69% OF REPORTED VALUATION

Public Works Director Martha DeBry stated that a study was performed by Hilton, Farnkopf and Hobson (HF&H) evaluating the impact of vehicles on the condition of streets in Hillsborough. Every vehicle that travels on a street has an impact on the condition of the street. Over time, all streets wear down, developing ruts and/or cracks as a result of vehicular travel. The weight of the vehicle greatly affects the amount of wear it causes.

Ms. DeBry stated that the Town's 2005/2006 operating budget for street maintenance is \$1,262,000, which funds the work performed by the Street Department's crew to repair potholes, refresh street markings, install signs and guardrails, remove branches and trees in the right-of-way, repair curbs, clean storm drains, etc. Additionally, the Town annually allocates \$400,000 for street capital projects. Thus, the Town invests about \$1,700,000 annually to maintain the street system.

Ms. DeBry stated that the purpose of the vehicle impact fee is to supplement existing funding for capital street improvements. Currently, the Street capital program is allocated \$400,000 annually, \$200,000 from the Gas Tax and \$200,000 from Measure A. Additional funding is needed for improving the 82 miles of roadways in the Town of Hillsborough. This is a relatively small investment to preserve street assets with an estimated value of \$81,600,000 in 2004.

Ms. DeBry explained that the streets in Hillsborough are constructed of 2"-6" of asphalt over the native dirt, typically without base rock. The standard for new streets is 4" of asphalt over 8" of aggregate base rock.

Ms. DeBry stated that Hillsborough's Pavement Condition Index (PCI) rating in 2004 was 63, which is a fair score. A score of 71-100 is good, 51-70 is fair, 26-50 is poor, and 0-25 is very poor. When Hillsborough's streets were broken into segments by pavement condition, 41% of the streets were rated good, 38% were rated fair, 19% were rated poor, and 2% were rated very poor. The 2004 and 2005 Street Projects treated 20% of Hillsborough's streets. In the Metropolitan Transportation Commission's (MTC) 2004 survey, Hillsborough, with a score of 65, was tiered 63<sup>rd</sup> of 102 cities. Santa Clara had the highest MTC average score of 86.

Ms. DeBry explained that with an annual capital contribution of \$400,000, the estimated average PCI score would be 58 after 5 years and the score would drop to 50 after 10 years. With an annual capital contribution of \$1,000,000, the anticipated average PCI would be 64 after 5 years and the score would be 62 after 10 years. With an annual capital contribution of \$2,000,000, the estimated average PCI would be 73 after 5 years and would remain at 73 after 10 years.

Ms. DeBry stated that the study performed in 2005 by HF&H to create a nexus between the fee and wear on the streets caused by construction vehicles included a survey of Hillsborough's traffic and an evaluation of funding shortfalls using four scenarios. The report found that construction vehicles caused 48.7% of the wear to the streets, other trucks 41.2%, automobiles 5.3%, and refuse vehicles 5%.

Ms. DeBry stated that in order to develop fee recommendations, HF&H evaluated the funding of the street maintenance at various levels recommending fees between 0.17% and 1.38%. HF&H developed fee recommendations whereby a .17% vehicle impact fee would raise approximately \$117,000, a .69% vehicle impact fee would raise \$486,000, 1.03% would raise \$730,000, and 1.38% would raise \$973,000.

Ms. DeBry stated that the Financial Advisory Committee (FAC) reviewed HF&H's study and generally supported the concept that those who benefit from the construction activity should fund part of the cost to maintain the streets, and is recommending the creation of a construction vehicle impact fee at the 0.69% level

to raise an additional \$486,000. The fee is a percentage of the valuation of a project as reported on the building permit. The FAC also recommended that revenue generated by the fee be earmarked as a supplement to existing funding for street capital projects. If the City Council adopts the resolution, the construction vehicle fee will be added to the Town's fee schedule, which would become effective on July 1, 2006.

Mayor Kasten asked Ms. DeBry why the vehicle impact fee was set at the .69% level. Ms. DeBry replied that other towns in the Bay Area have implemented a .5 – 1.0% vehicle impact fee. Mayor Kasten asked what the vehicle impact fee was in the other towns. Finance Director Edna Masbad replied that similar construction vehicle impact fees have been adopted by the cities of Corte Madera at 1%, Marin at 1%, Mill Valley at 1%, Sausalito at 1%, Larkspur at .75%, Belvedere at .75%, Tiburon at .7%, Ross at .5%, and Menlo Park at .66%.

City Attorney Norm Book asked if the building permit valuation was based on an average of several years or just last year's amount. Ms. DeBry responded that it was an average from 2001-2004's building permit valuation. Mr. Book asked if 2004 was a typical year. Chief Building Official John Milke replied that there has been a drop off in building permits.

Mayor Kasten opened the public hearing. There were no comments. Mayor Kasten closed the public hearing.

City Manager Tony Constantouros stated that there must be a reason or objective to setting the vehicle impact fee. Mr. Hilton explained that he looked at several alternatives and was not arbitrarily picking a number for the vehicle impact fee, but determined that .69% would fund the pavement management for Hillsborough based on 2004 figures.

City Attorney Book stated that if the number of building permit applications is decreasing that should be taken into account. City Manager Constantouros recommended that the City Council should decide the target funding level and not a certain percentage. Councilmember Regan noted that to raise approximately \$486,000 as described in the report, the .69% would need to be increased to roughly .85% to create the same amount of revenue, if the reported valuation decreased from approximately \$70,000,000 per year to \$60,000,000 per year as projected by the Building Department. Ms. DeBry stated that this year, staff will propose using funds from the Water Fund to repair the damage to the streets from the Water Main Replacement Project. Councilmember Regan stated that if an additional \$100,000 could be allocated from the General Fund it would bring the Town's total investment closer to \$1,000,000 annually.

Mayor Kasten asked if there were other sources of funds for pavement maintenance. Ms. DeBry responded that the Town receives funds from Measure A and the Gas Tax.

Councilmember Fannon asked if the Town has the capability to spend \$1 million in a year. Ms. DeBry replied that the Town could spend \$1 million given the existing street conditions. City Manager Constantouros asked Ms. DeBry if the Town used different techniques or newer technology methods could the Town improve the overall quality of the streets more cost effectively. Ms. DeBry stated that future projects will implement newer treatment methods for maintaining our streets which are more cost effective.

Vice Mayor Mullooly stated that the Town can change the vehicle impact fee with better information next year.

Councilmember Regan recommended a vehicle impact fee of .83%.

On motion of Councilmember Regan, seconded by Councilmember Fannon, unanimous on voice vote, it was resolved to establish a construction vehicle impact fee and to set that fee at 0.83% of the reported valuation.

**DISCUSSION:**

20. PRESENTATION REGARDING THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY'S CONTRACTOR SELECTION PROCESS FOR SOLID WASTE AND RECYCLING COLLECTION SERVICES AND TO OPERATE THE SAN CARLOS TRANSFER STATION

Public Works Director Martha DeBry reintroduced Mr. Bob Hilton of Hilton, Farnkopf & Hobson (HF&H) for the presentation regarding the South Bayside Waste Management Authority's (SBWMA) contractor selection process. Mr. Hilton stated that SBWMA is in the initial stages of developing a request for proposal (RFP) to competitively select a contractor to provide solid waste and recycling collection services, and to operate the San Carlos transfer station. He added that the contractor selection process will be kept as transparent as possible. The SBWMA has a goal of sending out the RFP in early 2007. The SBWMA is the largest franchise area in the country and includes Atherton, Belmont, Burlingame, East Palo Alto, Foster City, Hillsborough, Menlo Park, Redwood City, San Carlos, San Mateo, the County of San Mateo, and the West Bay Sanitary District. The Town and the other eleven SBWMA members will be asked to opt into the selection process in the coming year.

Mr. Hilton stated that the services to be covered by the contractor selection process include collection, transfer station operation, recyclables processing, composting, solid waste disposal, and C&D processing. He added that the annual contract value for collection, recycling, and transfer services for 2006 is estimated at \$50 million and serves 86,000 residential and 9,600 commercial customers. The contractor employs a staff of 330.

Mr. Hilton stated that the target start date for the new contractor is January 1, 2010. He added that approximately twelve months of lead time is required between the date the contractor is selected and when the contract begins, as a lot of equipment must be acquired to service the SBWMA's accounts.

Mayor Kasten asked if there was any downside to being the largest franchise area in the country. Mr. Hilton responded that being the largest franchise area creates a very competitive environment as a variety of companies will be bidding on the contract.

Mayor Kasten thanked Mr. Hilton and Ms. DeBry and recommended that comments be funneled through Ms. DeBry. Ms. DeBry added that in the next couple of months a survey will be sent to residents regarding backyard service and commingling of recyclables.

**PUBLIC COMMENT:**

There were no comments.

**CITY COUNCIL ITEMS:**

Councilmember Fannon announced that he will attend the ABAG General Assembly on April 20, 2006.

Councilmember Fannon, Councilmember Regan, and Mayor Kasten announced that they will attend the Council of Cities Dinner/Meeting on April 28, 2006 in Foster City.

Public Works Director Martha DeBry stated that one homeowner refuses to pay her portion of the proposed charge for the Woodridge private main. If the homeowners cannot agree to repair the private line with the Town coordinating construction, the Town would cease project coordination and cite all of the homeowners for illicit discharge. The Town received deposits from the four other residents. Mayor Kasten hoped a solution could be found because four of the five homeowners are willing to pay for the hook up charge.

Ms. DeBry also reported that approximately twenty Eucalyptus trees were trimmed or felled in the Macadamia Open Space area over the past weekend. Ms. Ada Regan of Strawberry Hill reported the problem to the Police Department. Ms. DeBry stated that it appears that whoever did the work knew what they were doing, but that the trees were topped recklessly, causing damage to the Town's and Ms. Regan's fences. All of the debris was left in place blocking the Town's access road. The Police Department is investigating the damage caused to the trees.

Mayor Kasten recognized Sergeant Caroline Serrato, Corporal Pat Barrett, Officers Pat Aherne, Pete Scatena, and David Agee, Captain Nick Gottuso, Sergeant Chuck Langlais, and Chief Matt O'Connor for receiving notes and words of appreciation.

**ADJOURN:**

Mayor Kasten adjourned the meeting at 9:39 p.m.