

MINUTES
REGULAR CITY COUNCIL MEETING
MONDAY, OCTOBER 13, 2008

Mayor Mullooly called the regular meeting to order at 6:02 p.m. at the Hillsborough Town Hall, 1600 Floribunda Avenue, Hillsborough, California.

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

Mayor Mullooly announced that Councilmember Fannon would be arriving late to the City Council meeting.

MINUTES: The minutes of the September 8, 2008 City Council meeting were approved as submitted.

PUBLIC COMMENT:

Josh Cooperman, who stated that he is a member of the Hillsborough Financial Advisory Committee and that he resides near the San Mateo Creek adjacent to the flood plain, voiced his concerns regarding the Hetch Hetchy system upgrades and the Environmental Impact Report (EIR) for the Crystal Springs dam improvements. He stated that several years ago he attended a public scoping meeting organized by the San Francisco Public Utilities Commission (SFPUC) to discuss the proposed improvements and what areas of concern residents wanted the EIR to address.

Mr. Cooperman stated that the last comprehensive seismic study of the dam had been completed several decades ago. He stated that he requested that the SFPUC conduct a new study, but that the SFPUC decided not to conduct a new study even though seismic and imaging technology had improved significantly since the 1970's.

Mr. Cooperman stated that any dam failure would have catastrophic consequences to residents of Hillsborough and surrounding cities. He added that there would be a disruption to water supplies, a reduction in home values, an increase in fire danger, and potentially an adverse impact on the Town's bond rating on its water and sewer bonds due to reduced cash flows. He stated that the SFPUC is against a new study to determine seismic risks to an essential part of their system and, at the same time, are proposing to spend \$4-6 billion for system improvements.

Mr. Cooperman recommended that the Town and the Bay Area Water Supply & Conservation Agency (BAWSCA) take proactive steps to ensure that a new study be performed on the dam prior to any improvements by the SFPUC. He urged the City Council to request that the SFPUC make any improvements required by the new study.

Councilmember Fannon arrived at the City Council meeting at 6:08 p.m.

PRESENTATIONS:

- Fire Inspector Julie Parenti announced the winners of the Central County Fire Department's Fifth Annual Fire Safety Poster Contest.

CONSENT CALENDAR:

Items 2 and 3 were removed for discussion. On motion of Councilmember Fannon, seconded by Councilmember Kasten, and unanimous on voice vote, Consent Calendar items 1 and 4 through 8 were approved.

1. MONTHLY CLAIMS: SEPTEMBER 1 THROUGH SEPTEMBER 30, 2008

The monthly claims for the month of September 2008, in the amount of \$3,587,949.81 were approved as submitted.

2. QUARTERLY TREASURER'S REPORT

Councilmember Regan stated that many San Mateo County cities and schools are part of the San Mateo County investment pool. He added that the County invested in Lehman Bros. holdings that recently declared bankruptcy and had to write off approximately \$150 million. The Hillsborough City School District lost approximately \$1.75 million from the bankruptcy. He stated that the Town lost \$156,000 from the San Mateo County investment pool. He explained that the Hillsborough Financial Advisory Committee (FAC) shifted money out of the San Mateo County pool into other funds and fortunately escaped a huge loss from the Lehman Bros. bankruptcy. Councilmember Regan thanked Finance Director Edna Masbad and the FAC for minimizing the Town's loss.

On motion of Vice Mayor Krolik, seconded by Councilmember Regan, and unanimous on voice vote, the Treasurer's Report for the quarter ending September 30, 2008, was approved.

3. QUARTERLY INTEREST RATE PRODUCTS (SWAP) REPORT

Councilmember Kasten asked Finance Director Edna Masbad how the recent financial situation has impacted the Town's bond interests. Ms. Masbad replied that of the Town's four outstanding bond issues, \$4,900,000 is purely variable. She explained that the rates suddenly rose to 7.75% during the last week of September 2008, but fell to 3.95% last week. She added that the average rate for the year from October 2007, to September 2008, was 2.42%.

Ms. Masbad stated that two issues of \$8.7 million and \$13.6 million were swapped to a synthetic fixed of 3.507%, so that the Town is paying 3.507% on these two issues.

Ms. Masbad stated that the last issue of \$12 million is a 68% of LIBOR swap. She explained that the Town pays or gets paid for the difference between the synthetic fixed of 3.507% and 68% of LIBOR. Ms. Masbad stated that the Town has been doing great through August 2008, where LIBOR is 68% higher than the Securities Industry and Financial Markets Association (SIFMA), but September 2008, is an anomaly where the SIFMA rates went up 225% and LIBOR did not fluctuate as much, so for the month of September 2008, the Town's interest cost for this issue went up by 55%, but it is now back to 3.95%. She stated that LIBOR is still quite the same, so the Town would still be paying more than 3.507%, but not as much as that from September 2008. She added that the Town earned around \$16,000 in 2006/2007 and \$12,000 in 2007/2008 on the spread between 68% of LIBOR and the SIFMA rates.

On motion of Councilmember Kasten, seconded by Vice Mayor Krolik, and unanimous on voice vote, the Interest Rate Products Report for the quarter ending September 30, 2008, was accepted.

4. RESOLUTION APPROVING THE RESPONSE TO THE 2007-2008 GRAND JURY REPORT REGARDING REPORTING REQUIREMENTS FOR NON-PENSION POST-EMPLOYMENT BENEFITS

The resolution approving the response to the 2007-2008 Grand Jury Report regarding reporting requirements for non-pension post-employment benefits was adopted.

5. RESOLUTION AWARDED THE 2008 GUARDRAIL REPLACEMENT PROJECT TO MIDSTATE BARRIER, INC.

The resolution awarding the contract for the 2008 Guardrail Replacement Project to Midstate Barrier, Inc. in the amount of \$474,200, with a contingency in the amount of \$47,400, for a total construction budget of \$521,600, was adopted.

6. RESOLUTION APPROVING CSG WORK ORDERS FOR ENGINEERING SERVICES FOR BLACK MOUNTAIN ROAD / SKYLINE BOULEVARD INTERSECTION IMPROVEMENT PROJECT AND THE 2008 SANITARY SEWER REHABILITATION PROJECT PHASE IV – CHERRY CREEK EASEMENT

The resolution approving CSG work orders in the total amount of \$32,420, allocating \$13,020 from Measure A and gas tax and \$19,400 from the 2006 Bond proceeds, was adopted.

7. RESOLUTION APPROVING THE AGREEMENT WITH SAN FRANCISCO INTERNATIONAL AIRPORT FOR NOISE MONITORING EQUIPMENT AT THE SKYFARM 2 WATER TANK SITE

The resolution approving the agreement with San Francisco International Airport for noise monitoring equipment at the Skyfarm 2 water tank site was adopted.

8. RESOLUTION PROCLAIMING NOVEMBER 2008 AS "BE SEWER SMART - BACKUP PREVENTION MONTH"

The resolution proclaiming November 2008 as "Be Sewer Smart – Backup Prevention Month" was adopted.

OLD BUSINESS:

9. ACCEPTANCE OF THE FINAL REPORT ON THE FIRE SERVICES STUDY FOR THE CENTRAL SAN MATEO COUNTY FIRE AGENCIES AND DIRECTIONS FOR STAFF

Fire Chief Don Dornell stated that in 2007, the City Council authorized participation in a Fire Services study to look at the feasibility of consolidating fire resources with our neighboring agencies to realize savings. He explained that Phase I confirmed the potential savings, and that Phase II looked at regional issues and options along with an analysis of costs for the delivery of those options.

Chief Dornell stated that Matrix Consulting Group completed the Final Draft Report of Phase II and that Bryon Pipkin of Matrix Consulting will present an overview of the results to the City Councils of the cities of Hillsborough, Burlingame, Millbrae, and San Bruno. He explained that if the City Councils authorize proceeding with the next steps. It is estimated that Matrix could coordinate a feasibility review among the four cities for an amount not to exceed \$10,000, or \$2,500 per city.

Mr. Pipkin stated that Matrix Consulting was retained to complete an analysis of options for the consolidation of fire services for Burlingame, Millbrae, San Bruno, and Hillsborough. He explained that Phase I was an initial evaluation of the communities' current fire services and potential cost savings. He stated that the Phase I report was completed in December 2007, and the four communities decided to proceed with Phase II.

Mr. Pipkin stated that under clear direction of City Managers and Fire Chiefs, a list of assumptions was created to develop the consolidation options and to conduct the analysis. He stated that the assumptions included the same, or better, level of service; a Joint Powers Agreement; sufficient management personnel; ability to meet response time goals; continuation of training functions; continuation of fire prevention services; participation in public education and other community functions; and the use of the fiscal year 2007/2008 adopted budget for each city and the fiscal year 2006/2007 actual expenses as comparisons for estimated budgets.

Mr. Pipkin stated that three options were developed. He explained that Option 1 was the consolidation of Central County Fire Department and Millbrae Fire Department, Option 2 was the consolidation of Millbrae Fire Department and San Bruno Fire Department, and Option 3 was the consolidation of Central County Fire Department,

Millbrae Fire Department and San Bruno Fire Department. Mr. Pipkin gave a brief summary of the three options.

Mr. Pipkin stated that Option 1 and Option 3 provide significant savings, primarily due to the consolidation of two fire stations that are located close to each other (Station 35 in Burlingame and Station 38 in Millbrae) into one fire station.

Councilmember Regan asked if Station 35 was located on Hillside Drive. Chief Dornell replied that Station 35 was located on Hillside Drive in Burlingame. Mr. Pipkin added that a new station location was identified as being at Skyline Boulevard and Trousdale Drive in Burlingame.

Councilmember Regan asked what the cost would be to build a new fire station, if Station 35 and Station 38 were consolidated. Mr. Pipkin replied that the cost would be approximately \$3.3 million to build a new fire station.

Councilmember Kasten asked if either Station 35 or Station 38 could just be closed. Mr. Pipkin replied that there would be a degradation of service, if either Station 35 or Station 38 were to be closed. He added that by consolidating the two fire stations there would be a better response time than with the closure of one fire station. Chief Dornell explained that if one of the fire stations were to be closed, it would leave a big hole between the stations, resulting in a longer response time to calls in Burlingame or Millbrae. Mr. Pipkin stated that if both stations were left in operation, there would be a good level of service, but no operating savings. Councilmember Regan stated that Millbrae would need to close a station to reduce operating costs, as they would need to increase their Fire Department's salary and benefit level with the consolidation.

Vice Mayor Krolik asked Mr. Pipkin if the costs were broken down by the cities of Hillsborough, Burlingame, Millbrae and San Bruno. Mr. Pipkin replied that the costs were not broken down by the four cities.

Mayor Mullooly asked if there were more issues to address regarding a consolidation of fire resources. Chief Dornell replied that there were more issues that needed to be reviewed and addressed.

Mayor Mullooly thanked Chief Dornell and Mr. Pipkin.

Mayor Mullooly asked if there were any public comments. There were no comments.

On motion of Councilmember Fannon, seconded by Councilmember Kasten, and unanimous on voice vote, the Final Report on the Fire Services Study for the Central San Mateo County Fire Agencies was accepted. Staff was directed to work with consultants to develop a report on a feasibility review of the study and identify key benchmarks and/or issues that are to be addressed in any consolidation. Up to \$2,500 was authorized for consulting assistance.

10. ORDINANCE MODIFYING HILLSBOROUGH MUNICIPAL CODE SECTION 13.32.110 REGARDING "PROPERTY OWNER RESPONSIBILITY – SEWER LATERALS" – INTRODUCTION

Public Works Director Martha DeBry stated that the City Council should have received a redline copy and the actual version of the ordinance modifying Hillsborough Municipal Code Section 13.32.110 regarding "Property Owner Responsibility – Sewer Laterals." She asked the City Council if they had any questions.

Councilmember Kasten asked if a homeowner had recently replaced a lateral would a video inspection be required. Ms. DeBry replied that if a property has been exempted, a sewer lateral inspection would not be required.

On motion of Councilmember Kasten, seconded by Councilmember Regan, and unanimous on voice vote, the ordinance modifying Hillsborough Municipal Code

Section 13.32.110 regarding “Property Owner Responsibility – Sewer Laterals” was introduced and the first reading of the ordinance was waived, and November 10, 2008, was set as the public hearing date to consider adoption of the ordinance.

11. UPDATE OF SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA) CONTRACTOR SELECTION PROCESS

Public Works Director Martha DeBry stated that as a follow up to the September 8, 2008 City Council meeting, additional outreach to the community regarding the proposed refuse services has been planned. She stated that a blue postcard has been mailed (with a second mailing scheduled soon) to residents announcing public meetings to be held on Tuesday, October 14, 2008; Wednesday, October 22, 2008; and Tuesday, October 28, 2008, where residents are invited to comment on the proposed scope of services. She added that these meetings would be held at various times of the day to encourage participation by community members. She stated that a survey has also been prepared by the company Q&A to update a resident survey that was completed in 2006. She added that the survey will be mailed in October 2008, and will test resident’s attitudes towards services now that costs are better defined.

Councilmember Fannon asked how many residents completed the survey in 2006. Ms. DeBry replied that 600-700 residents completed the survey in 2006.

Councilmember Kasten asked if the survey could be completed online. Ms. DeBry responded that, if possible, she will provide the survey online for residents to complete.

Mayor Mullooly thanked Ms. DeBry.

12. RESOLUTION AUTHORIZING ISSUANCE OF DEBT BY THE SOUTH BAYSIDE WASTE MANAGEMENT AUTHORITY (SBWMA) FOR THE SHOREWAY MASTER PLAN IMPROVEMENTS

Public Works Director Martha DeBry reviewed the Allied Waste retrofit plan of the Shoreway Recycling and Disposal Center (SRDC). She explained that an analysis of the retrofit plan shows that the retrofit only addresses the Materials Recycling Facility (MRF), and that the roof and foundation of the MRF are not addressed. She compared that to the Master Plan in which the MRF would have a 40-foot ceiling, which could accommodate any equipment, and would have storage for baled materials. She stated that the MRF equipment is undersized. She explained that the Master Plan includes more inputs and balers, more optical scanners, and can accommodate 21 tons more per shift. She stated that with the retrofit plan, increased operational costs will offset the initial capital savings. She explained that the Master Plan estimates an operational cost savings of \$2.2 million annually. She added that over ten years, the retrofit plan would be approximately \$24.3 million more expensive to operate.

Ms. DeBry stated that the issuance of \$65 million in debt would cover all expenses related to new construction and would refinance the SBWMA’s existing debt. She stated that William Euphrat, Financial Advisor for the SBWMA, and Kevin McCarthy, Director of SBWMA, were available to answer questions.

Councilmember Regan asked Ms. DeBry how long the recycling equipment usually lasts. Ms. DeBry replied that the equipment has a useful life of 10-15 years.

Councilmember Fannon asked Mr. McCarthy if he could show the City Council the internal rate of return. Mr. McCarthy replied that he did not have the information to show the City Council the internal rate of return.

Councilmember Kasten asked what reasons the SBWMA had to build a new facility. Ms. DeBry replied that the SBWMA’s reasons for building a new facility were that the current facility cannot accommodate the new single-stream equipment, as the

equipment is long and odd in shape. She added that the facility will need to recycle 20,000 tons more per year and, therefore, will require new equipment to process the recyclables more quickly. Ms. DeBry stated that the new single-stream equipment is more advanced, but is very heavy and that the foundation will require extra shoring to prevent it from sinking.

Councilmember Kasten stated that the proposed retrofit would require drastic changes and asked Ms. DeBry if we cannot go single-stream at this time, could residents continue to separate recyclables. Ms. DeBry responded that the Town could consider keeping the dual-stream method of recycling. Councilmember Kasten stated that if the Shoreway facility is only 40% designed, the \$53 million cost may not be the final figure. Ms. DeBry replied that the County and other cities are also concerned about the cost for the retrofit. She added that the retrofit can be done all at once or in phases, but that the recycling equipment is at the end of its life; diversion rates need to increase 20-30%; and that Ox Mountain landfill will be closing, so the recycling options need to be looked at.

Councilmember Regan asked Mr. Euphrat if he received any feedback regarding the sale of the bonds. Mr. Euphrat replied that he has not received any feedback and that with the state of the current economy, this was not the time to go to market.

Councilmember Fannon asked when the refuse franchise will expire. Ms. DeBry replied that the refuse franchise will expire at the end of 2010.

Councilmember Regan asked Ms. DeBry if the new refuse contractor could use the same facility. Ms. DeBry replied that the new refuse contractor could use the same facility, but that the MRF needs to be retrofitted.

Councilmember Regan asked why the changes in operation could not be delayed for a year. Mr. McCarthy replied that the changes in operation could be delayed a year and that the SBWMA can negotiate a change in scope. He added that there was some flexibility due to the market condition and that other options were being looked at. He added that the final project cost will not be available until January 2009.

Councilmember Kasten asked if the SBWMA waited a year to eighteen months, could the facility still operate and provide services without a substantial investment. Mr. McCarthy replied that the facility could still operate and provide services without the retrofit. He explained that the recyclables could be dumped at the Shoreway facility and trucked to another facility, but that would require more trucks and additional equipment.

Councilmember Kasten asked if Hillsborough residents could stay with the dual-stream recycling, but with the goal of switching to single-stream recycling in the future. Mr. McCarthy replied that if other cities agree to it, the franchise agreement could be extended. Ms. DeBry stated that if eight cities approve the bond issue, it will be approved. She added that San Mateo and Redwood City have already approved the bond issue, the County will be the last agency to vote, and as of August 28, 2008, Burlingame has taken a six month break in making a decision.

Ms. DeBry reviewed the Shoreway Master Plan improvements and financing. She stated that each member agency needs to achieve and exceed the state-mandated recycling goals of 50%, and that implementation of new collection services and facility operating contracts by January 1, 2011, would ensure customers pay competitive rates for quality programs and services. She explained that the objective of the future residential program was to modernize programs to increase customer convenience and maximize recycling.

Ms. DeBry stated that the project goal of the Shoreway Recycling and Disposal Center was to build an environmentally sustainable operation that could process an increase of 50,000 tons per year of recyclable and compostable materials. She reviewed the schedule for the Shoreway Master Plan, the site plan for the Shoreway facility, the

project cost estimate, the total anticipated rate impact, and the plan of finance. Ms. DeBry explained that the Shoreway project cost estimates will be refined over the next several months, the bond structure will be refined in response to project requirements and developments in the credit markets, and the final bond issuance will be subject to approval by the SBWMA Board.

Ms. DeBry stated that two-thirds of the SBWMA member agencies must approve the issuance of debt. She explained that if five of the twelve SBWMA member agencies fail to approve the resolution, the SBWMA will not have sufficient funding to proceed with the Shoreway Master Plan Phase II and III. She added that depending on how the Master Plan is revised, implementation of automated residential collection services may be delayed.

Councilmember Kasten asked what would be the total anticipated impact on rates for a Hillsborough resident. Ms. DeBry explained that for a resident with one 32-gallon container (without rear/side yard service enhancements) there would be an increase of \$1.18 for the Master Plan Improvements and \$2.42 for the new collection contractor, which would increase the monthly rate \$3.60, or approximately 15%. She added that rates would increase 30% or more for rear/side yard service.

Councilmember Fannon stated that he would like to wait until January 2009, when better data is available to make a more informed judgment.

Councilmember Regan asked what damage will be done if the City Council waits until January 2009, to make a decision. Ms. DeBry replied that no damage will be done, but just a delay in moving forward. She added that important questions and issues were brought up tonight and that similar questions are being brought up with the other cities.

Councilmember Regan asked when the SBWMA will vote. Ms. DeBry replied that the SBWMA meeting is tentatively scheduled for the fourth Thursday in January 2009.

Mr. McCarthy stated that he will have the final numbers to bring back to the City Council in January 2009.

Councilmember Kasten thanked Ms. DeBry for all her hard work and effort. Councilmember Regan stated that he will look forward to seeing the proposal again in January 2009.

NEW BUSINESS:

13. HILLSBOROUGH COMMUNITY SOLAR DISCOUNT PROGRAM

Assistant City Manager Kathy Leroux requested that this item be placed on the November 10, 2008 City Council meeting agenda due to the absence of Rick Grisel of SolarCity, who was scheduled to present information to the City Council.

PUBLIC COMMENT:

There were no public comments.

CITY COUNCIL ITEMS:

Mayor Mullooly announced that the Bay Area Council Annual Hall of Fame Dinner is scheduled for Tuesday, October 14, 2008.

Mayor Mullooly announced that the League of Women Voters will be holding a Jail Planning Public Meeting on Wednesday, October 15, 2008, in San Mateo.

Mayor Mullooly announced that the San Mateo County Board of Supervisors will be holding a meeting on Thursday, October 16, 2008, to discuss garbage collection, the

Shoreway facility improvements and financing for the projects, and the South Bayside Waste Management Authority (SBWMA). She stated that she will attend the meeting.

Mayor Mullooly announced that the Housing Leadership Day will be held on Friday, October 17, 2008. Councilmember Kasten announced that he will attend with Director of Building and Planning Liz Cullinan.

Mayor Mullooly announced that she received a copy of a letter from San Mateo County Supervisor Adrienne Tissier thanking Fire Chief Don Dornell for participating in the recent annual countywide Disaster Preparedness Day that was held on Saturday, September 13, 2008.

Mayor Mullooly announced that the City of Foster City will be hosting a live election night broadcast of the Presidential General Election in their Council Chambers on Tuesday, November 4, 2008. Councilmember Regan announced that he will attend.

Vice Mayor Krolik announced that she attended the Airport Roundtable on Wednesday, October 1, 2008, and that San Francisco International Airport will be getting the Next Generation Air Traffic Control System (NextGen), which is a satellite-based global positioning system (gps), that will reduce the number of flight delays.

Mayor Mullooly announced that she will be attending the Burlingame Public Library Centennial Celebration in the afternoon on Saturday, October 19, 2008, and the San Mateo Public Library Foundation 2008 Wall of Fame event that evening.

Mayor Mullooly announced that she will be attending the new Burlingame-Hillsborough History Museum Open House scheduled for Sunday, October 26, 2008, from 2:00 p.m. to 4:00 p.m.

Vice Mayor Krolik announced that she will be attending the Community Emergency Response Team (CERT) Training on Wednesday, October 15, 2008, and that there is still room for those interested in attending.

Mayor Mullooly announced that the Council of Cities Dinner/Meeting will be held in the City of Burlingame on Friday, October 24, 2008. Mayor Mullooly and Vice Mayor Krolik announced that they will be attending.

ADJOURN:

Mayor Mullooly adjourned the meeting at 8:26 p.m.