MINUTES
REGULAR CITY COUNCIL MEETING
MONDAY, DECEMBER 8, 2008

Mayor Mullooly called the regular meeting to order at 6:04 p.m. at the Hillsborough Town Hall, 1600 Floribunda Avenue, Hillsborough, California.

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

MINUTES: The minutes of the November 10, 2008 City Council meeting were approved as submitted.

APPRECIATION OF FORMER MAYOR:

Fire Chief Don Dornell made a presentation to former Mayor Mullooly for serving on the Central County Fire Department Board. Congresswoman Jackie Speier, Assemblyman Gene Mullin, San Mateo County Supervisor Mark Church, and Councilmember Regan presented former Mayor Mullooly with resolutions for her accomplishments. Councilmember Kasten presented former Mayor Mullooly with a key to the Town. Vice Mayor Krolik presented former Mayor Mullooly with a Town of Hillsborough gavel. Former Mayor Mullooly made remarks of appreciation for a number of staff members that she had worked with during her term as Mayor.

ADMINISTRATION OF OATH OF OFFICE:

The oath was administered to Councilmember Elect Thomas M. Kasten, Councilmember Elect Christine M. Krolik and Councilmember Elect Jess E. Benton by the Honorable Jackie Speier.

ELECTION OF MAYOR:

By nomination of Councilmember Kasten, seconded by Councilmember Regan, and unanimous on voice vote, Christine M. Krolik was elected Mayor.

ADMINISTRATION OF OATH OF OFFICE: Mayor

The oath was administered to Christine M. Krolik by the Honorable Jackie Speier.

Mayor Krolik conducted most of the remainder of the meeting.

ELECTION OF VICE MAYOR:

By nomination of Councilmember Regan, seconded by Mayor Krolik, and unanimous on voice vote, Thomas M. Kasten was elected Vice Mayor.

ADMINISTRATION OF OATH OF OFFICE: Vice Mayor

The oath was administered to Thomas M. Kasten by the Honorable Jackie Speier.

Mayor Krolik thanked her colleagues, family, friends, staff members and volunteers, and expressed her honor to represent and serve the Town of Hillsborough.

The meeting was recessed for a reception.

PRESENTATIONS:

- Councilmember Regan announced the Government Finance Officers Association's Distinguished Budget Presentation Award to Finance Director Edna Masbad and the Town of Hillsborough. This is the sixth time the Town of Hillsborough has received this award.

CONSENT CALENDAR:

Items 2, 3 and 9 were removed from the agenda. On motion of Vice Mayor Kasten, seconded by Councilmember Benton, and unanimous on voice vote, Consent Calendar Items 1 and 4 through 8 were approved.

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

   The monthly claims for November 2008 in the amount of $2,092,796.81 were approved.

2. RESOLUTION AUTHORIZING COMPENSATION ADJUSTMENTS FOR TEAMSTERS LOCAL 856 POLICE UNIT, PUBLIC WORKS / CLERICAL UNIT, FIRE ADMINISTRATORS, IAFF LOCAL 2400 FIRE UNIT, AND UNREPRESENTED EMPLOYEES

   Councilmember Benton announced that he would abstain from voting as he did not have any background information on this agenda item because he was not privileged to the background information discussed during the Closed Session meeting held prior to the City Council meeting.

   On motion of Vice Mayor Kasten and seconded by Councilmember Regan, the resolution authorizing compensation adjustments for Teamsters Local 856 Police Unit, Public Works / Clerical Unit, Fire Administrators, IAFF Local 2400 Fire Unit, and Unrepresented Employees was adopted.

3. ACCEPTANCE OF THE COMPREHENSIVE ANNUAL FINANCIAL REPORT (CAFR) TOGETHER WITH THE INDEPENDENT PUBLIC ACCOUNTANT'S REPORT ON THE INTERNAL CONTROL FOR THE YEAR ENDED JUNE 30, 2008

   Vice Mayor Kasten stated that the audit by Vavrinek, Trine, Day & Co. was the cleanest audit that he had ever seen and that the audit showed no significant deficiencies in the Town's finances. He thanked Finance Director Edna Masbad for her excellent work in managing the Town's finances.

   Councilmember Regan pointed out that the second to last paragraph of the CPA's letter on page 9 of the CAFR stated that the Town's basic financial statements presented fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town of Hillsborough as of June 30, 2008. Councilmember Regan added that bottom line the Town is financially strong.

   On motion of Councilmember Regan, seconded by Councilmember Benton, and unanimous on voice vote, the Comprehensive Annual Financial Report (CAFR) for fiscal year ended June 30, 2008, was accepted.

4. RESOLUTION AUTHORIZING WATER SERVICE RATES AND METER SERVICE CHARGES EFFECTIVE JANUARY 1, 2009

   The resolution authorizing water service rates and meter service charges effective January 1, 2009, was adopted.

5. DESTRUCTION OF OBSOLETE POLICE RECORDS

   The Police Department was authorized to destroy obsolete police records for the years 1999, 2000 and 2001, according to Resolution #01-40 dated August 13, 2001, per Exhibit A.

6. RESOLUTION APPROVING THE PURCHASE OF A VACTOR MODEL 2103 (JET TRUCK) AND ALLOCATING SEWER FUNDS FOR THE SAME

The resolution approving the purchase of a Vactor Model 2103 for $217,408 and allocating sewer funds for the same was adopted.

7. RESOLUTION APPROVING CSG WORK ORDERS FOR ENGINEERING SERVICES FOR 1475 TARTAN TRAIL SANITARY SEWER RELOCATION – DESIGN, DARRELL NO. 3 WATER TANK IMPROVEMENTS – DESIGN AND CONSTRUCTION MANAGEMENT SERVICES, AND UPGRADE OF THE SKYFARM III AND TOURNAMENT PUMP STATIONS – ADDITIONAL CONSTRUCTION MANAGEMENT SERVICES

The resolution approving the CSG work orders for 1475 Tartan Trail Sanitary Sewer Relocation, Darrell No. 3 Water Tank Improvements, and Upgrade of the Skyfarm III and Tournament Pump Stations in the total amount of $89,700, and allocating $16,800 from the Sewer Fund and $72,900 from the Water Fund, was adopted.

8. RESOLUTION AUTHORIZING ADDITIONAL FUNDS FOR THE DARRELL TANK NO. 3 IMPROVEMENTS AND COATINGS PROJECT

The resolution authorizing additional funds for the Darrell Tank No. 3 Improvements and Coatings Project in the amount of $20,000, for a total project allocation of $320,075 from the Water Fund, was adopted.

9. RESOLUTION AUTHORIZING REPLACEMENT OF THE NEW PLACE ROAD GATES

Vice Mayor Kasten asked Public Works Director Martha DeBry if she was comfortable that the Town would receive all but $5,000 from the Town's property insurance for the replacement of the New Place Road gates. Ms. DeBry replied that she was confident that the Town would receive all but the $5,000 for the replacement of the damaged New Place Road gates. Vice Mayor Kasten asked if the Hillsborough Beautification Foundation (HBF) would be able to help come up with the additional $5,000. Ms. DeBry replied that she will ask HBF if they could assist the Town with funding the replacement of the New Place Road gates.

On motion of Vice Mayor Kasten, seconded by Councilmember Regan, and unanimous on voice vote, the resolution authorizing the replacement of the New Place Road gates was adopted.

PUBLIC HEARING:

10. FUNDRAISING EVENT PERMIT APPLICATION 08-07 FOR CRYSTAL SPRINGS UPLANDS SCHOOL'S "MADCAP 2009" ANNUAL FUNDRAISING AUCTION

City Clerk Miyuki Yokoyama stated that Crystal Springs Uplands School submitted a fundraising application for their annual fundraising event. The "Madcap 2009" auction would be held on Saturday, April 18, 2009, from 6:00 p.m. to 11:00 p.m. in the gymnasium at Crystal Springs Uplands School located at 400 Uplands Drive.

Ms. Yokoyama stated that public notices have been sent to homeowners located within a 500-foot radius of the property and no comments have been received. Staff recommended approval of the application subject to the restrictions and conditions of the Police and Building Departments.

Mayor Krolik opened the public hearing. There were no comments. The public hearing was closed.

On motion of Councilmember Regan, seconded by Vice Mayor Kasten, and unanimous on voice vote, Fundraising Event Permit Application 08-07 for Crystal Springs Uplands School's "Madcap 2009" annual fundraising auction on Saturday, April 18, 2009, subject to the conditions recommended by staff, was approved.

NEW BUSINESS:

11. REPORT ON THE ENERGY EFFICIENCY EVALUATION OF THE WATER SYSTEM

Public Works Director Martha DeBry provided a Power Point presentation on the energy efficiency evaluation of the Town's water supply system. She stated that the purpose of the State of California's Energy Efficiency Financing Program evaluation was to assist the Town in identifying projects that could reduce the Town's energy usage and cost in existing and planned facilities. She explained the three projects that were identified, including the installation of energy efficient pumps, changing the PG&E rate schedule at the Crocker pumps, and the installation of new software for the SCADA system.

Councilmember Benton asked if there were any rebates for the SCADA software installation. Ms. DeBry replied that there were no rebates offered for the SCADA software installation, but that there were low interest rate loans available.

Councilmember Benton stated that he was concerned that the SCADA software will not last very long and that he was concerned about the payback for the energy savings. Ms. DeBry replied that there were other benefits to installing the new SCADA software besides the energy savings. She explained that the SCADA system could monitor the water tanks day in and day out and hour by hour. She added that the tanks could be filled in the off-peak hours for the lowest energy rate. She added that the new SCADA software will interface better as the Town currently uses an outdated system, which is cumbersome to use with little flexibility for the Town's needs.

Councilmember Regan stated that the potential savings by shifting to the off-peak period as explained on page 18 of the WaterWorks Engineers Consultant Report on the Water Supply System Energy Efficiency Evaluation showed estimated energy costs using 2008-2009 PG&E rates. He stated that PG&E rates continue to increase and that the rates would most likely be much higher in five years, so the Town's savings would be significantly more by switching to the off-peak pumping period.

Vice Mayor Kasten asked what the $1.3 million cost for the SCADA System Improvement Project would include. Ms. DeBry replied that the $1.3 million would include the software, electrical, and hardware costs. Vice Mayor Kasten stated that he was concerned about the thirty-year payback period for the SCADA system improvements.

Councilmember Regan stated that he needed more reasons to spend $1.3 million for the new SCADA system. He added that in Table 17 on page 20 of the consultant's report on the SCADA System Improvement Project, the explanation for the asterisks for the estimated annual electric savings, estimated annual natural gas savings, and estimated annual costs savings was missing. He requested an explanation for the asterisks and reasonable savings estimates for the next ten years.

Vice Mayor Kasten stated that he needed additional information on the cost and total investment of the hardware for the new SCADA system.

On motion of Vice Mayor Kasten, seconded by Councilmember Benton, and unanimous on voice vote, the report from the California Energy Commission (CEC) regarding energy efficiency in Hillsborough's water system was accepted subject to obtaining the additional information for the City Council.

DISCUSSION:

12. PROPOSED REFUSE RATE INCREASES FOR 2009 AND 2010

Public Works Director Martha DeBry provided a Power Point presentation on the proposed refuse and recycling rate increase. She reviewed the refuse service, refuse rate history, 2008 rate application, recommendation, and Proposition 218 requirements. She stated that this is the eighth year of a ten-year franchise with Allied

Waste Systems (previously BFI). She explained that the refuse rates are based on actual costs to provide service, which include labor, equipment and disposal / processing. She added that there was a 9% profit cap, but that many costs are not subject to profit, such as tipping fees.

Ms. DeBry reviewed the rate history from 1998 through 2008. She stated that the 2008 rate application was reviewed by Hilton, Farnkopf and Hobson (HF&H) for accuracy, reasonableness, and identified disputed costs. She stated that in 2007 there was a deficit of $219,000, and that for 2008, information was based on projections using partial year data, as the rate increase was adopted late (the rear / side yard fee was not implemented until summer), and the deficit was compounded to $311,000, due to the low original labor projections, gas price spike, collapsed commodity market, and depreciation schedules shortened on equipment.

Ms. DeBry stated that for 2009, the deficit is projected at $473,000, which includes significant increases in labor rates, tipping fees, and consultants costs.

Ms. DeBry stated that the staff's recommendation would be to increase the revenue by $280,000 with the goal of balancing the account ($200,000) on December 31, 2009, and proposing a rate increase for January 2010. She explained that the revenue would be raised by adjusting the fee for the volume of waste and adjusting the rear / side yard collection fee. Ms. DeBry recommended an 8% across the board increase in refuse rate service with a $20 rear / side yard fee per month. She stated that a 2007 study by R3 Consulting Group estimated about 20% of the collection time is spent on rear yard services ($460,000) and that the current monthly fee of $5 for rear / side service is estimated to raise only about $60,000 annually for the approximately 1,000 subscribers. She added that she would anticipate more of the rear / side yard customers would migrate to curbside service with the $20 monthly fee.

Ms. DeBry explained that Proposition 218 requires a notice to property owners 45 days in advance of the public hearing where the rate is set. She stated that the notice would need to be sent out by December 26, 2008, in order to be on the February 9, 2009 City Council meeting agenda. She added that she proposes a one-year increase in refuse rates.

Ms. DeBry stated that she anticipates costs for refuse service increasing next year, with a 5% increase in labor costs, 2 - 4% increase in tipping fees, and reduced commodity revenues.

Vice Mayor Kasten asked Ms. DeBry when the Town last increased the refuse rates. Ms. DeBry replied that in April 2008 the Town increased the refuse rates.

Councilmember Benton stated that one of the things that struck him was that Hillsborough has one of the highest rates among the twelve agencies. Ms. DeBry replied that the backyard service requires more drivers and that Hillsborough does not have commercial customers to help subsidize the residential base like many of the other agencies in the South Bayside Waste Management Authority (SBWMA).

Vice Mayor Kasten stated that page 8 of the consultant's report shows that the driver wages increased 10%. HF&H Consultant Richard Simonson stated that the 10% increase in driver wages was part of the ratification of collective bargaining, and that the increase was actually 7%, not 10%. Councilmember Regan asked if that would bring the operating costs down on page 13 of the report. Mr. Simonson replied that he just received the new information on drivers wages on Friday, December 5, 2008, and that he would resubmit the revised information in the final report.

Councilmember Regan asked Mr. Simonson what percentage of the operating costs were for labor. Mr. Simonson replied that the percentage for labor costs varies from agency to agency, but that he would provide the information to Ms. DeBry.

Vice Mayor Kasten stated that the rear / side monthly service fee should be increased from the current $5 monthly service fee. Ms. DeBry stated that in a recent survey on refuse service, most residents felt that residents that receive rear /side service should pay for the additional service. She added that staff recommends noticing for a maximum fee of $20 monthly for rear / side yard service.

Councilmember Benton recommended the mailing of the Proposition 218 notice by December 26, 2008, regarding the proposed refuse rate increases for 2009 and 2010, which should include a maximum 9% across the board rate increase and a $20 rear / side yard monthly service fee.

Vice Mayor Kasten thanked Ms. DeBry.

13. DISCUSSION ON THE WATER CONSERVATION ORDINANCE

The discussion on the Water Conservation Ordinance was moved to the January 12, 2009 City Council Meeting.

PUBLIC COMMENT:

There were no comments.

CITY COUNCIL ITEMS:

Mayor Krolik announced that she received rave reviews for the Hillsborough Beautification Foundation's Light Up the Town, which was held on Thursday, December 4, 2008.

Mayor Krolik announced that she had to leave early and turned the meeting over to Vice Mayor Kasten at 9:06 p.m.

Vice Mayor Kasten announced that there will be a Housing Element Community Meeting on Wednesday, December 10, 2008, at 6:00 p.m. at Town Hall

ADJOURN:

Vice Mayor Kasten adjourned the meeting at 9:08 p.m.