

MINUTES

REGULAR CITY COUNCIL MEETING

MONDAY, JANUARY 12, 2009

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

ROLL CALL: Present: Benton, Fannon, Regan, Kasten, Krolik

MINUTES: The minutes of the December 8, 2008 City Council meeting were approved as submitted subject to the addition of the remarks made by Mayor Krolik before the recess for the City Council reception.

PRESENTATION:

- Councilmember Regan presented Financial Advisory Committee Chair / Committee Member, Jess E. Benton, who served as a Committee Member from January 1996 through December 2008 and as Chair from January 2005 through December 2007, with a Certificate of Appreciation
- Vice Mayor Kasten introduced Police Chief Matt O'Connor who recognized SWAT Officers, Captain Nick Gottuso, Team Commander; Sergeant Pat Barrett, Team Leader; Corporal Pat Aherne, Operator; Officer Scott Fritz, Team Sniper; and Inspector Peter Gould, Operator, for their Meritorious Conduct of Valor on November 25, 2008, at the Hobart San Mateo home invasion shooting

CONSENT CALENDAR:

Item 2 was removed for discussion. On motion of Councilmember Fannon, seconded by Councilmember Benton, and unanimous on voice vote, Consent Calendar items 1, 3 and 4 were approved.

1. MONTHLY CLAIMS: DECEMBER 1 THROUGH DECEMBER 31, 2008

The monthly claims for the month of December 2008 in the amount of \$3,922,574.19 were approved as submitted.

2. QUARTERLY TREASURER'S REPORT

Councilmember Regan asked Finance Director Edna Masbad about the \$3,315,000 cash invested in a Local Agency Investment Fund (LAIF) with the Bank of New York, which is 7% of the Town's total portfolio. Ms. Masbad explained that the LAIF asset allocation was quite diversified and that the Bank of New York was just the required investment manager or trustee for the LAIF account. She explained that LAIF is an investment alternative for California's local governments and that the cash could be withdrawn at any time.

Vice Mayor Kasten asked Ms. Masbad if the Town was no longer invested in the San Mateo County investment pool. Ms. Masbad replied that the Town was no longer invested in the San Mateo County investment pool.

On motion of Councilmember Regan, seconded by Vice Mayor Kasten, and unanimous on voice vote, the Treasurer's Report for the quarter ending December 31, 2008, was approved.

3. QUARTERLY INTEREST RATE PRODUCTS (SWAP) REPORT

The Interest Rate Products Report for the quarter ending December 31, 2008, was accepted.

4. RESOLUTION APPROVING THE WORK ORDER FOR CSG CONSULTANTS, INC. FOR THE FLORIBUNDA AVENUE / EL CAMINO REAL SEWER PRELIMINARY STUDY

The resolution approving the CSG work order for the Floribunda / El Camino Real Sewer Preliminary Study in the total amount of \$23,380, and allocating the same from the Sewer Fund, was adopted.

PUBLIC HEARING:

5. CONCEPTUAL REVIEW OF A PROPOSED TENTATIVE PARCEL MAP FOR A TWO LOT SUBDIVISION AT 851 SHARON AVENUE

Director of Building and Planning Liz Cullinan provided a Power Point presentation on the Conceptual Review of the proposed subdivision at 851 Sharon Avenue. She explained that the property is located on the west side of Sharon Avenue between Forest View Avenue and Manor Drive; the lot is fairly level and heavily vegetated, and the neighborhood is composed of a variety of styles and levels of homes.

Ms. Cullinan stated that the project would subdivide an existing 2.3 acre site at 851 Sharon Avenue with one 1.7 acre parcel, which includes an existing residence on the right / north side, and one .60 acre parcel, which includes the left / southern portion of the site. She added that the project would reconfigure the existing driveway to accommodate a new two-story residence on the smaller lot, install a new driveway at the northern frontage of the site to accommodate the existing residence, require the removal of twelve trees greater than ten inches (but less than 36" in diameter) for the driveway and new construction. She explained that the majority of the assessed trees are in poor health.

Ms. Cullinan stated that the applicant held a project orientation meeting on December 3, 2008. A public notice for the City Council meeting was been mailed to property owners within a 500' radius of the site, and two public inquiries have been made. She stated that the first comment involved the question as to whether a new two-story house could be built on the new lot and the answer was "yes". She stated that the second comment involved the question as to whether the location of the driveway directly across from another driveway will cause a conflict and the answer to that was that the City Engineer was requiring the driveway to be relocated further to the north to avoid conflict. Ms. Cullinan stated that no opposition to the subdivision has been expressed to date.

Ms. Cullinan explained that the purpose of City Council Conceptual Review is for the City Council to provide preliminary feedback to the applicant regarding issues relating to the subdivision's design. She stated that the draft Tentative Parcel Map has been reviewed by the Town's development departments and appears to be in compliance with applicable technical requirements. She added that the proposed subdivision would create lots which are generally consistent with the lot sizes within the neighborhood.

Vice Mayor Kasten asked if very many lots in the area were half an acre in size. Ms. Cullinan replied that most of the lots in the neighborhood were a half acre or smaller.

Vice Mayor Kasten asked if the trees along Sharon Avenue will be removed. Ms. Cullinan replied that the trees along the proposed driveway and new home would be removed, but that the trees were proposed to remain along Sharon Avenue.

Charles Kavanagh of Kavanagh Engineering stated that the only place trees would be removed would be where the new driveway would be installed for the existing home and in the area planned for the new house.

Councilmember Fannon asked if there was any intent to build a home on the proposed smaller lot. Ms. Cullinan replied that a new home would likely be proposed and that the new home would be required to be reviewed by the Architecture and Design Review Board (ADRB).

Mayor Krolik opened the public hearing.

Hillsborough resident Audrey Fellows asked about the exact location of the subdivision. Ms. Cullinan pointed out on the vicinity map the exact location of the subdivision for 851 Sharon Avenue. Ms. Fellows asked what the side setback would be between the existing home and the proposed new lot. Ms. Cullinan replied that a 20 foot side setback was required, but that the subdivision would exceed that by quite a bit.

Hillsborough resident Judy Wilbur stated that the area around 851 Sharon Avenue had homes on larger lots and that the character of the neighborhood should be preserved. Vice Mayor Kasten stated that the ADRB will be sure that the home size would comply with the design guidelines.

Mayor Krolik asked if there were any plans to subdivide the 1.7 acre parcel. The property owner, Stanley Lo, stated that he had no plans to subdivide the 1.7 acre parcel.

Mayor Krolik closed the public hearing. On motion of Councilmember Fannon, seconded by Vice Mayor Kasten, and unanimous on voice vote, the City Council directed staff to proceed with the proposed two lot subdivision at 851 Sharon Avenue and to give consideration to the neighbors by maintaining the landscape screening along Sharon Avenue.

6. RESOLUTION APPROVING A REVOCABLE ENCROACHMENT PERMIT APPLICATION FOR REPLACEMENT OF AN EXISTING FENCE AT 1437 SAN RAYMUNDO ROAD

City Engineer Cyrus Kianpour stated that the owner of 1437 San Raymundo Road submitted a revocable encroachment permit application to replace an existing deteriorated six-foot high wooden fence and gate in the public right-of-way with a six-foot high iron fence and entry gate, approximately five feet into the 40-foot right-of-way along San Raymundo Road. He explained that encroachment permits related to outdoor fixtures over 18 inches tall are reviewed by the City Engineer and approved by the City Council.

Mr. Kianpour explained that the new fence and gate will be constructed following the same alignment of the old fence, which was built behind an existing level parking strip to barricade a steep drop off directly below the strip. He added that no utilities have been identified that would conflict with the proposed location of the new fence, and that staff recommends approval of the revocable encroachment permit application for 1437 San Raymundo Road.

Councilmember Fannon asked if the new fence would require Architecture and Design Review Board (ADRB) approval. Mr. Kianpour replied that ADRB approval would not be required, but if there was new landscaping involved, it would required ADRB approval.

Mayor Krolik opened the public hearing.

Homeowner Judy Rosenau stated her appreciation for the City Engineer's assistance and would appreciate the City Council's approval on the revocable encroachment permit. She added that it has been many years since the old fence was installed.

Mayor Krolik closed the public hearing. On motion of Councilmember Fannon, seconded by Vice Mayor Kasten, and unanimous on voice vote, the resolution approving the revocable encroachment permit application for 1437 San Raymundo Road was adopted.

NEW BUSINESS:

7. RECOGNITION PROGRAM FOR RESIDENTS WHO REDUCE RESIDENTIAL ENERGY CONSUMPTION

Assistant City Manager Kathy Leroux stated that the Sustainable Hillsborough Task Force (Task Force) has already developed several programs approved by the City Council to reduce greenhouse gas emissions, including the Civic Green Building Policy, Community Solar Discount Program, solar permit fee reduction and outreach workshops. She introduced Kathleen Gallagher, the Town's environmental consultant, to discuss the recognition program for residents who reduce residential energy consumption.

Ms. Gallagher provided a Power Point presentation on the recognition program for Energy Smart homes and the Luminary Program. She explained that the Task Force goals were to recommend programs to reduce greenhouse gas emissions in Hillsborough, develop a Climate Action Plan for Assembly Bill 32 (AB 32) compliance, and fulfill Bay Area Air Quality Management District (BAAQMD) grant requirements. She added that the program would be funded by a BAAQMD grant.

Ms. Gallagher stated that the Task Force recommended approval of a Luminary Recognition Program to recognize residents making significant strides in home energy efficiency. She explained that the program provides resources to increase home energy efficiency, offers residents a flexible range of options in which to participate, and recognizes residents making significant strides in energy efficiency.

Ms. Gallagher explained that the energy efficiency focus was needed in Hillsborough because 45% of greenhouse gas emissions are from residential electricity and natural gas, and that significant home energy and water consumption reduction is needed for AB 32 compliance.

Ms. Gallagher stated that resources and on-line tools would be available on the Town website and that the Luminary Program would provide a range of participation options for residents. She added that the recognition program would run in conjunction with the Community Solar Discount Program and both programs would end on May 1, 2009. She stated that the winners would be announced at a City Council meeting and in the Town newsletter and website.

Vice Mayor Kasten stated that if a homeowner gets a home energy evaluation, the residential energy consumption may not necessarily change. Ms. Gallagher explained that the winners will be selected based on actions taken and documentation must be provided to gauge the winners.

Vice Mayor Kasten asked Ms. Gallagher that if residents have already taken steps to reduce their energy consumption, would they still be eligible to participate. Ms. Gallagher stated that she would take his question regarding a start date and end date to the Chair and Co-Chair of the Task Force at their meeting to be held on January 28, 2009.

Vice Mayor Kasten recommended that the Town's Luminary Program website link be more descriptive of energy efficiency to help residents find the program on the Town's website.

Mayor Krolik thanked Ms. Gallagher.

On motion of Councilmember Benton, seconded by Vice Mayor Kasten, and unanimous on voice vote, the recognition program for Hillsborough residents who significantly reduce residential energy consumption was approved.

8. APPROVAL OF THE PROPOSED RENOVATION OF THE WATER CONSERVATION GARDEN AT 1600 FLORIBUNDA AVENUE BY THE HILLSBOROUGH BEAUTIFICATION FOUNDATION

Public Works Director Martha DeBry stated that the Hillsborough Beautification Foundation (HBF) is proposing to renovate the Water Conservation Garden at the corner of 1600 Floribunda Avenue and El Camino Real. She added that Sarah Small of Small, Brown Landscape Architects has developed a plan for the garden and the strip of landscaping immediately south of the garden along Floribunda Avenue. She stated that HBF is proposing to complete the project in time for the Town's Centennial Celebration.

Ms. DeBry introduced HBF Co-Chairs of the project, Maryellie Johnson, Kathryn Toms, and Leslie Wilson. Ms. Johnson stated that she was thrilled to be presenting the Water Conservation Garden renovation project. She stated that the garden was first constructed in 1991 as a water conservation demonstration garden and originally included 94 different kinds of drought tolerant plant specimens. She explained that much of the diversity of the garden is gone as the plants lived past their lifecycle and were removed and no plants have been added. She added that the Water Conservation Garden is currently in disrepair and that signs identifying the original plants were damaged or misplaced. Ms. Johnson thanked Police Captain Mark O'Connor for the minimal disruption to the garden in connection with the recent project to install a fuel facility near the garden.

Ms. Johnson stated that the landscape plans will include lots of color, flowers will be blooming year round, and a fountain will be added. She stated that the strip along Floribunda Avenue and near the mailbox area will also be landscaped.

Leslie Wilson stated that with the City Council's approval for the renovation of the Water Conservation Garden, the plans will be finalized and the landscaping will begin in March 2009. She added that the fountain will help with the traffic noise and create a more inviting garden.

Vice Mayor Kasten stated that he thought the renovation of the Water Conservation Garden was great.

Councilmember Benton asked if there would be a sitting area in the garden. Ms. Johnson stated that there are four built-in seats and that another seat will be added.

Mayor Krolik stated that the renovated Water Conservation Garden will be a great gift to the Town and that it would be nice to have the ribbon cutting in 2010 to coincide with the Town's Centennial Celebration.

On motion of Councilmember Fannon, seconded by Councilmember Regan, and unanimous on voice vote, the renovation of the Water Conservation Garden at 1600 Floribunda Avenue by the Hillsborough Beautification Foundation was approved.

9. **RESOLUTION APPROVING THE CONTRACT WITH RMC FOR THE TEMPORARY FLOW METERING INSTALLATION AND MONITORING SERVICES IN AN AMOUNT NOT TO EXCEED \$190,000**

Public Works Director Martha DeBry explained that subsequent to the issuance of the tentative Cease and Desist Order (CDO) by the Regional Water Quality Control Board (RWQCB), the City of San Mateo, Town of Hillsborough and Crystal Springs County Sewer District (District) entered into discussions regarding how to accurately distribute flows in the Crystal Springs / El Cerrito Trunk. She stated that all of the agencies have engaged RMC, a subcontractor to Brown and Caldwell, which is compiling a wet weather study for the San Mateo Wastewater Treatment Plant's sewer shed.

Ms. DeBry stated that RMC is coordinating a project to install meters at all of the agencies to measure flows during February and March 2009. She explained that since all agencies will experience the same storms, this data should give an accurate representation of peaking factors in sewer mains during wet weather. She stated that approximately 20 meters are proposed to be installed in Hillsborough, and that, in addition to measuring the direct connections to the Crystal Springs / El Cerrito Trunk,

the meters will measure flows in Hillsborough's sub-basins. She added that some data will be collected at the same points where the 1991 Inflow / Infiltration (I/I) Study was performed, which will allow the Town to characterize the effectiveness of its capital improvements. She stated that the study will cost approximately \$190,000.

Councilmember Fannon asked if the flow metering installation and monitoring would help with the tentative Cease and Desist Order with the RWQCB. Ms. DeBry stated that the monitoring would show what is going on in the Crystal Springs / El Cerrito Sewer Trunk and that the assessment is part of the Cease and Desist Order requirements.

Councilmember Regan asked Ms. DeBry if the Town would pay \$190,000 for the flow metering installation and monitoring. Ms. DeBry stated that \$190,000 would be for the flow metering installation and monitoring in Hillsborough and that each agency would pay for its own area.

On motion of Vice Mayor Kasten, seconded by Councilmember Regan, and unanimous on voice vote, the resolution approving the contract with RMC for the temporary flow metering installation and monitoring services in an amount not to exceed \$190,000 was adopted.

DISCUSSION ITEM:

10. POTENTIAL REVENUE SHORTFALL IN BUDGET YEAR 2008 / 2009

Finance Director Edna Masbad discussed the potential revenue shortfall for budget year 2008 / 2009. She explained that the economic outlook continues to get worse, requiring the Town to revisit the budget earlier than the usual schedule for a mid-year budget adjustment. She added that the fiscal reality facing the Town has become more challenging and forces the need to make difficult financial choices.

Ms. Masbad stated that the first report in the City Council agenda packet contains the details of the Town's general fund revenues and reflects the areas where the Town is expecting the shortfalls this year and the next two years. She stated that Report 2 lists the voluntary cuts offered by the departments to address this year's shortfall and the last report offers some savings concepts that could be used to address some of the projected shortfalls in the next two years. She noted that the figures offered in 2010 / 2011 are very rough estimates.

Ms. Masbad stated that secured property tax is the Town's major revenue source, representing almost 50% of General Fund revenues. She explained that there basically was no change in the 5.5% projected revenue growth for the current year, since there is a year lag on this. She stated that the revenues that the Town expects to receive is based on a lien date at least six months before, which is normally known by the time the budget is approved. She explained that the negative adjustment projected in the amount of \$61,500 results from property tax refunds, such as the one made to Genentech, and they also result from refunds made for those properties for which roll values were reassessed. She stated that property tax revenue projections are downgraded from the original 6% growth rate to 3.75% and 4.5% for the next two years out.

Vice Mayor Kasten asked Ms. Masbad why the Town was required to pay \$61,500 for the Genentech refund when the Town never received any proceeds from the tax. Ms. Masbad stated that pursuant to San Mateo County's interpretation of Assembly Bill 8 (AB 8), refunds are allocated to taxing districts using the AB 8 factor instead of allocating them by tax rate areas. Vice Mayor Kasten asked if there was any basis to the County's interpretation of AB 8. City Attorney Norm Book replied that it was worthwhile taking a look at the County's interpretation of AB 8.

Ms. Masbad explained that the supplemental roll tax was reduced by \$120,000 this year based on fewer turnovers, and most recently from a trend of negative

supplemental taxes, i.e., the purchase value of the properties turned over this year, comes out lower than the value in the roll.

Ms. Masbad stated that a number of the other General Fund revenues are linked to real estate transactions, including construction permits, planning applications, plan check fees, business license and business license applications. She added that business license revenues are mostly from contractors and that construction activities are down; therefore, the general fund revenues have been adjusted. She explained that the decrease in motor vehicle license fees is based on fewer car registrations.

Councilmember Regan asked Ms. Masbad if the decline in business license fees may be because people are forgetting to pay for business licenses. Ms. Masbad replied that she would review who paid for business licenses last year and who has not renewed their business licenses for this year. She added that the Police Department checks for unlicensed contractors and business owners.

Ms. Masbad stated that the Town now expects a revenue shortfall in the amount of \$615,290 in the current year. She explained that when the original budget was projected to have an increase of 2% in 2008 / 2009, that projection is downgraded to a -2%. She stated that the Town started the year with a balanced budget and that the Town now needs to reduce expenditures by \$615,290, which represents 3% of the General Fund budget.

Ms. Masbad discussed the projected shortfall for the next two years out. She stated that the City Council is presented a three year outlook allowing the Town to plan way ahead. She explained that the projections show that the Town will be short \$760,000 in 2009 / 2010 and around \$1.5 million in 2010 / 2011, representing 4% and 7% of the budget, respectively. She also mentioned that these shortfalls are before taking into account the Governmental Accounting Standards Board 45 (GASB 45) gap of approximately \$680,000 a year, which the Town would like to cover with current revenues. She added that the \$760,000 shortfall does not include the Other Post Employment Benefits (OPEB) liability.

Councilmember Regan stated that the Town should consider selling the Town property on Reservoir Road to prefund pension obligations. He stated that the Town could consider utilizing other sources, such as the sale of other surplus properties to address future needs, including the potential spike in retirement costs and funding the OPEB liability. Mayor Krolik stated that the possible sale of the Reservoir Road property should be reviewed by the Financial Advisory Committee (FAC).

Ms. Masbad stated that the excess Educational Revenue Augmentation Fund (ERAF) may go away without warning as it is tied to school funding and would leave the Town short another \$750,000.

Ms. Masbad stated that the General Fund Reserve information shows the General Fund actual and projected reserve balance, the informally adopted liquidity requirement, and the formal policy requirement that the Town strives to maintain 30% of the General Fund budget. She explained that without intervention to reverse the trend, the six month liquidity reserve the Town normally has would not be realized.

Ms. Masbad stated that when the departments initially worked on addressing the shortfalls, the consensus was to approach them by requesting the departments to voluntarily offer individual cost savings. She stated that management agreed to implement a hiring freeze and that vacancies will not be filled until further notice. She explained that the cost savings list is subject to City Council approval and / or prioritization.

Ms. Masbad mentioned some of the major cuts. She stated that the Police Department offers significant reductions from the training account. She stated that the Fire Department plans to reclassify one firefighter to a floating captain position that will be utilized for long-term disability of the captain positions and replace that with lower

overtime costs at the firefighter's level, and proposes to run Truck 34 with three instead of four personnel. She stated that the Planning Department recommends deferring or postponing the Town Hall master plan freeing up \$80,000 from the current budget and projects savings on professional services for plan check fees since permit activities are down.

Ms. Masbad stated that there are savings of \$28,400 from health insurance premiums because actual health insurance rates were lower than budgeted.

Ms. Masbad reported that the largest savings will come from the proposal to reassign four of the seven street personnel to sewer activities starting in February 2009. She stated that savings through June 2009 is projected at approximately \$175,000, which will be out of the General Fund costs and into the sewer operations. She stated that it is proposed that this reassignment be extended for another seven months into the next year, or until completion of maintenance for approximately 80% of the sewer system. She reported that the usual funding for major street rehabilitation from a combination of gas tax, Measure A funds and vehicle impact fees is still available. Ms. Masbad added that for 2009 / 2010, in addition to what is offered by the Planning Department and the continuation of the Streets personnel reroute for another seven months, the projection shortfall will be \$460,000 in 2009 / 2010 and \$1.5 million in 2010 / 2011.

Ms. Masbad stated that some of the concepts presented include forgoing salary increases pursuant to the bargaining agreements initially computed at 3% for January 2010, not filling one potential vacancy in the Police Department, some cost sharing of health insurance premiums, and a tiered retirement program for new hires.

Ms. Masbad explained that while the figures for the second year out are rough estimates, what is decided to balance the 2009 / 2010 budget might help address the projected shortfall for the third year out. She added that these proposals are subject to labor negotiations and City Council approval.

Councilmember Benton asked if forgoing the salary increases would be for all or miscellaneous employees. Ms. Masbad replied that forgoing the salary increases would be for all employees, but will be subject to labor negotiations. Councilmember Benton asked if any other cities implemented this cost savings idea. Assistant City Manager Kathy Leroux replied that there are caps in place for salary increases in other cities.

Councilmember Fannon asked Ms. Masbad if the FAC will be reviewing the cost savings concepts. Ms. Masbad replied that the FAC will be meeting in February 2009 and that she will review the cost savings concepts for the 2009 / 2010 budget with the FAC. She added that a meeting will be held on Tuesday, January 9, 2009, to review the budget with the labor groups and employees.

Ms. Masbad asked the City Council for recommendations as to how they would like staff to proceed. Vice Mayor Kasten recommended exploring the possibility of aligning the public safety parcel tax to the public safety program's current costs by going back to the voters. Vice Mayor Kasten also stated that staff should proceed with the cost savings ideas volunteered by the departments for fiscal year 2008 / 2009 and review the other cost savings concepts for the following years with the Financial Advisory Committee. Ms. Masbad thanked the City Council.

11. PROGRAM OPTIONS FOR THE SUPPLEMENTAL ENVIRONMENTAL PROGRAM
IN RESPONSE TO THE DRAFT CEASE AND DESIST ORDER

Public Works Director Martha DeBry provided a Power Point presentation on options for the Supplemental Environmental Program (SEP) in response to the Regional Water Quality Control Board's (RWQCB) draft Cease and Desist Order (CDO). She explained that the SEP is an option offered by the RWQCB. She added that the RWQCB prefers sustainable programs that have material impact on water quality locally or regionally and that \$220,000 is the Town's proposed SEP contribution.

Ms. DeBry reviewed the Town's pilot sewer lateral replacement program that was funded in August 2008 for \$100,000. She stated that she discussed SEP alternatives with the RWQCB staff and that programs with greater and sustained impact were desired, loan programs were desirable, and that reporting milestones were required. She stated that the Town could pick a project from a preapproved list, which limits the liability to \$220,000 and has a regional benefit, provide free lateral inspection services, provide a reimbursement program to rehabilitate a maximum of 110 sewer laterals, or establish a loan program with the goal to rehabilitate failed laterals. She added that the homeowner loans would be for up to four years with a maximum loan amount of \$10,000. She explained that the initial capital of \$2,000,000 would be raised by borrowing funds and that loans would be repaid with interest. She stated that the loan program has potential risks, including default, a long-term administrative commitment, and long-term costs for ten years.

Ms. DeBry stated that milestones for the RWQCB include setting up the SEP for 2009, and rehabilitating 300 sewer laterals and inspecting 350 laterals within five years. She added that if the goals are not met in the first five years, the RWQCB could extend the oversight for an additional five years.

Ms. DeBry requested the City Council to provide direction to settle the CDO with a preapproved project, reimbursement program, or loan program.

Councilmember Regan asked if the Town could reimburse 20-25% of the cost to rehabilitate the sewer laterals and, therefore, rehabilitate more sewer laterals. He asked what the approximate cost would be to rehabilitate a sewer lateral. Ms. DeBry replied that the cost varies from approximately \$6,000 to \$15,000. Councilmember Regan stated that the Town should have a maximum amount set for the rehabilitation of the sewer laterals. Ms. DeBry replied that the Town could set a maximum amount of \$10,000 for the rehabilitation of a sewer lateral. She added that the reimbursement should not be too low, or residents will not have the incentive to rehabilitate their sewer laterals.

Councilmember Regan stated that the loan program would probably cost more than the \$220,000 and asked if the Town could charge an interest rate higher than 2.5% on the loan. Ms. DeBry replied that the Town could charge a higher interest rate on the loan.

Vice Mayor Kasten stated that the reimbursement program or loan program would have more of an impact on the Town's budget than the other options. He asked Ms. DeBry if there was a way to satisfy the RWQCB's objectives and achieve some good for the Town. Ms. DeBry replied that providing the lateral inspection service would only take a few hours per appointment and that she would like to get all Inflow / Infiltration problems resolved.

Councilmember Fannon asked Ms. DeBry if most homeowners would repair a sewer lateral problem after their free inspection. Ms. DeBry replied that the City Engineer could order a homeowner to fix a failed lateral.

Councilmember Benton stated that the Town should not become a loan agent and that the loan program was the most risky SEP alternative.

Councilmember Regan stated that he favored the free inspections and partially funding the repair of the sewer laterals.

Councilmember Benton stated that he would like an alternative that would provide the most benefit.

Councilmember Fannon recommended that Ms. DeBry return to the February City Council meeting with other options for the Supplemental Environmental Program.

12. DISCUSSION ON THE WATER CONSERVATION ORDINANCE

Public Works Director Martha DeBry provided a Power Point presentation on the status of the drought. She stated that according to the California Department of Water Resources website, "California is facing the most significant water crisis in its history. After experiencing two years of drought and the driest spring in recorded history, water reserves are extremely low. Drought conditions in the Colorado River Basin and the Sierra snowpack ... is leaving many communities throughout California facing mandatory restrictions on water use and / or rising water bills. If the drought continues into next year, the results could be catastrophic to our economy."

Ms. DeBry reported that the San Francisco Public Utilities Commission (SFPUC), in response to Governor Arnold Schwarzenegger's plan to achieve a 20% reduction in per capita water use statewide by 2020, passed a limit of 184 million gallons per day (mgd) for water available to wholesale customers until at least 2018.

Ms. DeBry reviewed plans for implementing Hillsborough's water rationing ordinance. She noted that Ordinance 13.16 will need to be amended due to an error where the number .05 should be .5 in the Annual Outdoor Water Allotment formula. City Manager Tony Constantouros requested Ms. DeBry provide a copy of the study that determined the calculations for the Annual Outdoor Water Allotment.

Ms. DeBry stated that to implement the Water Rationing ordinance, staff recommends a default number of two residents per household, and that residents would self-certify if there are more than two residents living in the residence for six or more months. She explained that a water auditor would determine the allotment for non-residential parcels and residential parcels three acres or larger. She added that the ordinance calls for monthly allotments, water meters to be read bi-monthly, and one snapshot every two months of water use vs. water allocation. She stated that allotment vs. actual use could be tracked by the Water Department billing software. She anticipated additional costs for staff time and costs to implement the ordinance, and the possibility of lost revenue due to the mandated reduction of water use. She added that some jurisdictions have added a temporary "drought surcharge" to cover the additional costs and lost revenue.

Councilmember Regan stated that the Annual Outdoor Water Allotment formula was set up by the Water Conservation Committee and asked Finance Director Edna Masbad about the difficulty of putting the formula into service. Ms. Masbad replied that it would be a challenge to have the Fund Balance financial software system formulate the calculation and that there would be a one-time cost involved for the calculation. She added that the cost for monthly water billing will double, as currently residents are billed bi-monthly.

Ms. DeBry reported that the Town was awarded a \$50,000 Department of Water Resources grant to conduct a leak detection survey of its entire 97 mile delivery system, and the grant will provide the Town with equipment to continue the survey.

Ms. DeBry stated that the Town flushes millions of gallons of water each year to maintain water quality and that the Town is researching a truck mounted filtration system that may be able to purify flushed water and pump it back into the system.

Ms. DeBry explained that there is a fixed network Advanced Meter Reading (AMR) device which will allow frequent (daily) and "virtual" meter reading. She added that a wireless signal would be required for the AMR.

Ms. DeBry stated that she proposes the development of a policy to require the installation of a second meter for all new homes, major remodels and major landscaping projects, a Build It Green checklist to set minimum requirements for new construction and major remodels, and indoor and outdoor water efficiency as a key component of the Build It Green checklist.

Ms. DeBry reported that the State is revising its model landscape ordinance and jurisdictions will have to adopt the State ordinance or draft an ordinance that meets or exceeds it.

Councilmember Benton asked Ms. DeBry when the last time the Water Rationing ordinance was imposed. Ms. DeBry replied that the last time the Water Rationing ordinance was imposed was sometime between 1989 and 1992. Ms. DeBry stated that most homeowners have installed the low flow toilets, but that the water rationing will require more effort in outdoor water use as Hillsborough's water use is off the charts compared to other municipalities.

Vice Mayor Kasten asked if there was any discussion for the SFPUC to return to using chlorine as the method for disinfecting the water supply. Councilmember Fannon, who serves on the Board of Directors of the Bay Area Water Supply and Conservation Agency (BAWSCA), stated there has been no discussion of returning to the old method of disinfecting the water supply. Vice Mayor Kasten asked Councilmember Fannon if he could bring it up with the BAWSCA Board of Directors. Councilmember Fannon replied that he will bring it up with the BAWSCA Board of Directors.

Mayor Krolik stated that due to a family emergency she needed to catch a flight and turned over the gavel to Vice Mayor Kasten at 9:47 p.m.

Councilmember Fannon reported that this is the third year of the drought and that East Bay Municipal Utilities District (EBMUD) has already imposed water restrictions, but the Town of Hillsborough will not know until April 2009 if the Water Rationing ordinance will need to be implemented.

Vice Mayor Kasten thanked Ms. DeBry for the update.

PUBLIC COMMENT:

There were no public comments.

CITY COUNCIL ITEMS:

Vice Mayor Kasten announced that the Draft 2009 Housing Element for the Town of Hillsborough was sent to the California Department of Housing and Community Development today. He stated that the State has sixty days to make comments or changes to the Draft 2009 Housing Element.

Vice Mayor Kasten announced that the Council of Cities Dinner / Meeting will be held on Friday, January 30, 2009.

Vice Mayor Kasten announced that the Citizen of the Year / Community Care Award Reception will also be held on Friday, January 30, 2009, at the Hillsborough Racquet Club, where Mayor Krolik will be honored as the 2008 Citizen of the Year and Councilmember Regan stated that Kendra Kasten will be honored as the 2008 Community Care Award Recipient.

Assistant City Manager Kathy Leroux announced that the Presidential Inauguration will be shown in the City Council Chambers from 8:30 a.m. on Tuesday, January 20, 2009, and that employees, City Councilmembers, and Committee members will be invited.

ADJOURN:

Vice Mayor Kasten adjourned the meeting at 9:52 p.m.