

**APPROVED MINUTES
REGULAR CITY COUNCIL MEETING
MONDAY, FEBRUARY 14, 2011**

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: Kasten, Benton, Krolik, Chuang
 Absent: May

Mayor Kasten apologized to those who wanted to celebrate Valentine's Day.

Mayor Kasten asked Central County Fire Department Captain Jake Pelk to lead the Pledge of Allegiance.

MINUTES: The minutes of the January 10, 2011 City Council meeting were approved as submitted.

RECOGNITION:

- Fire Chief Don Dornell introduced and recognized Central County Fire Department Captain Jake Pelk for being the 2010 recipient of the Ed Bent California Fire Service Instructor of the Year Award. Captain Pelk thanked Chief Dornell and introduced his wife and daughters. Councilmember Chuang, the Central County Fire Department Commissioner for the Town of Hillsborough, presented Captain Pelk with a Certificate of Recognition. Mayor Kasten congratulated Captain Pelk on the huge honor of being recognized as the Ed Bent Fire Service Instructor of the Year for the entire state and wished him continued success.

PRESENTATIONS:

- Councilmembers Krolik and Chuang presented Candace Lyche, who served as a Committee Member of the Citizens Communication Advisory Committee from March 2004, through October 2010, with a Certificate of Appreciation and thanked her for serving on the committee. Ms. Lyche introduced her children and thanked the Town for the opportunity to serve the community and she stated to her children that the gift of volunteering is that you get so much more back. Mayor Kasten thanked Ms. Lyche.
- Police Chief Matt O'Connor recognized Police Records Supervisor Susan Mitchell for providing twenty-five years of service to the Hillsborough Police Department and presented her with her Police badge. Ms. Mitchell introduced her guests and stated that she was taking a new step in her life and is looking forward to her retirement. Mayor Kasten, the Police Department Commissioner, presented Ms. Mitchell with a Resolution of Appreciation.
- Police Chief Matt O'Connor recognized Police Officer Julianne Giusti for providing twenty years of service to the Hillsborough Police Department and presented her with her Police badge. Officer Giusti introduced her guests and thanked the Town for giving her the opportunity to work here for twenty years. Mayor Kasten presented Officer Giusti with a Resolution of Appreciation.

Items 2 and 9 were removed for discussion. On motion of Vice Mayor Benton, seconded by Councilmember Krolik, and unanimous on voice vote, Consent Calendar items 1, 3 - 8, and 10 were approved.

CONSENT CALENDAR:

1. MONTHLY CLAIMS: JANUARY 1 THROUGH JANUARY 31, 2011

The monthly claims for January 2011 in the amount of \$1,821,413.16 were approved as submitted.

2. APPROVAL OF CELL SITE LEASE AGREEMENT

Mayor Kasten asked if the term of the lease for the cell site lease agreement would be for five years with three five-year options to renew. City Attorney Norm Book replied that the terms of the agreement are still being negotiated, but that he would like three five-year options to renew or may settle for four five-year options to renew, as thirty years is too long of a lease agreement. Mayor Kasten agreed that thirty years is too long for a lease agreement and asked whether there were any size limitations specified on page 29 of the City Council agenda packet. Mr. Book replied that size limitations are subject to Section 7 of the lease agreement. Mayor Kasten asked about the controversy regarding the health hazards of wireless communications sites. Mr. Book replied that a general Hold Harmless Agreement would be required from T-Mobile to cover any health hazards of the wireless communications site.

Councilmember Krolik asked if T-Mobile will be removing their wireless communication site from 870 Longview Drive within 180 days regardless of whether or not their new tower is operational at the Darrell tank site location. Assistant City Manager Katharine Leroux replied that once the lease agreement is signed, T-Mobile will remove their wireless communication site from 870 Longview Drive within 180 days.

Mayor Kasten recommended authorizing the City Manager to execute the site lease agreement with the changes recommended. Ms. Leroux stated that the site lease agreement will be subject to Mr. Book working out the final agreement language with the Town's legal consultant.

On motion of Councilmember Krolik, seconded by Councilmember Chuang, and unanimous on voice vote, the City Manager was authorized to execute the site lease agreement with T-Mobile West Corporation, subject to the final review of the City Attorney.

3. RESOLUTION OF INTENTION TO APPROVE AN AMENDMENT TO THE CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES RETIREMENT SYSTEM (CALPERS) AND THE CITY COUNCIL OF THE TOWN OF HILLSBOROUGH

The Resolution of Intention to approve an amendment to the Safety contract between CalPERS and the Town of Hillsborough was adopted.

4. ORDINANCE AUTHORIZING AN AMENDMENT TO THE CONTRACT BETWEEN THE CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM (CALPERS) AND THE CITY COUNCIL OF THE TOWN OF HILLSBOROUGH - INTRODUCTION

The ordinance authorizing an amendment to the contract between CalPERS and the Town of Hillsborough was introduced and the first reading was waived. March 14, 2011, was set as the public hearing date to consider adoption of the ordinance.

5. RESOLUTION APPROVING THE HILLSBOROUGH BEAUTIFICATION FOUNDATION PROJECT TO RENOVATE THE NEW PLACE ISLAND

The resolution approving the Hillsborough Beautification Foundation project to renovate the New Place island was adopted.

6. RESOLUTION ACCEPTING AS COMPLETE THE 720 CHATEAU DRIVE STABILIZATION PROJECT BY FARALLON COMPANY

The resolution accepting as complete the contract with Farallon Company for the 720 Chateau Drive Stabilization Project in the amount of \$13,585 was adopted.

7. RESOLUTION ACCEPTING AS COMPLETE THE EMERGENCY REPAIR OF A STORM DRAIN AND SLOPE ON AVONDALE ROAD AT CARDIGAN ROAD

The resolution accepting as complete the contract with Farallon Company for the emergency repair of a failed storm drain and slope at Cardigan Road and Avondale Road in the amount of \$47,370, and allocating the additional cost of \$17,370 from the Sewer Fund, was adopted.

8. RESOLUTION AUTHORIZING THE AWARD OF A CONSULTING CONTRACT TO HOLMAN & ASSOCIATES FOR THE CULTURAL RESOURCE INVENTORY AND RECOMMENDATIONS FOR THE CRYSTAL SPRINGS / EL CERRITO TRUNK SEWER PHASE II IMPROVEMENTS

The resolution authorizing the Public Works Director to enter into contracts with Holman & Associates to provide the necessary archaeological services for the Crystal Springs / El Cerrito Phase II Sewer Improvements Project in the amount of \$23,080, which will be allocated from the Sewer Fund, was adopted.

9. RESOLUTION APPROVING THE CSG WORK ORDERS FOR ENGINEERING SERVICES RELATED TO THE SURVEY OF THE FOREST VIEW AVENUE / EUCALYPTUS AVENUE / GERI LANE INTERSECTION AND SANITARY SEWER MASTER PLANNING AND CAPITAL IMPROVEMENT PROGRAM DEVELOPMENT

Councilmember Krolik asked if authorizing the \$13,700 for the CSG work order for the Forest View Avenue / Eucalyptus Avenue / Geri Lane intersection survey would commit the Town to making improvements at that intersection. Public Works Director Martha DeBry replied that the work order would not commit the Town to making improvements at the intersection. She added that the City Engineer would like to improve the intersection by adding a stop sign and moving out the curbs.

Councilmember Krolik thanked Ms. DeBry.

On motion of Councilmember Krolik, seconded by Vice Mayor Benton, and unanimous on voice vote, the resolution approving the CSG work orders in the amount of \$79,100, and allocating \$13,700 from the Public Works Administration Professional Services budget and \$65,400 from the Sewer Fund, was adopted.

10. RESOLUTION AWARDING THE WINDSOR WATER MAIN REPLACEMENT PROJECT TO FARALLON COMPANY

The resolution awarding the contract for the Windsor Water Main Replacement Project to Farallon Company in the amount of \$53,575, with a contingency in the amount of \$10,715 for a total construction budget of \$64,290, and allocating the same from the Water Fund, was adopted.

PUBLIC HEARING:

11. FUNDRAISING EVENT PERMIT APPLICATION 10-08 FOR THE NUEVA SCHOOL BENEFIT AUCTION

City Clerk Miyuki Yokoyama stated that Nueva School submitted a fundraising application for their benefit auction to be held on Saturday, April 9, 2011, from 5:00 p.m. to 11:00 p.m. at Nueva School located at 6565 Skyline Boulevard.

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. She added that staff recommends approval of the application subject to the restrictions and conditions of the Police, Fire and Building Departments.

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

On motion of Vice Mayor Benton, seconded by Councilmember Chuang, and unanimous on voice vote, Fundraising Event Permit Application 10-08 for the Nueva

School Benefit Auction on Saturday, April 9, 2011, subject to the conditions recommended by staff, was approved.

12. ACCEPTANCE OF THE 2010 GENERAL PLAN IMPLEMENTATION REPORT

Director of Building and Planning Liz Cullinan provided a Power Point presentation on the 2010 General Plan Implementation Plan. Ms. Cullinan reported that California Government Code Section 65400 requires that all cities and counties investigate and make recommendations to the legislative body for implementing the General Plan. She stated that the Town is also required to submit to their legislative bodies, the Governor's Office of Planning and Research (OPR), and the Department of Housing and Community Development (HCD) an annual report on the status of the General Plan and progress in its implementation. She added that State law also requires that the report be subject to a public hearing.

Ms. Cullinan reviewed the key highlights of agency-initiated planning activities for the 2010 General Plan implementation. She reported that the Town adopted the 2009 Housing Element Implementing Ordinance, which updated density bonus allowances, retroactively relaxed second unit standards, clarified the allowance for transitional and supportive housing, continued the amnesty program for existing second units, and established a zoning district for an emergency shelter. She stated that the Town has commenced a survey of second units regarding use, rent range and number of bedrooms, as committed to in the 2009 Housing Element. She reported that 30% of Hillsborough's second units are two or more bedrooms and that all of the units rented accommodated low income households. She added that the rate of return for the survey has been approximately 77% to date.

Ms. Cullinan reported that the Town has also worked with the Center for Independence of the Disabled (CID) and through Building code updates to identify and resolve constraints to providing housing for persons with disabilities, developed a Hillsborough Housing website, was involved in sub-regional financial and leadership participation, and participated in the Housing Endowment and Regional Trust (HEART) of San Mateo County, Human Investment Project (HIP) Housing, Samaritan House and other programs for emergency shelter, affordable housing and shared housing opportunities.

Ms. Cullinan stated that the certified 2009 Housing Element (covering the period 2007-2014) identified a need to plan for 86 new units to be constructed between 2007 and 2014, 34 of which should be within lower income categories. She reported that in 2007 through 2009, permits for 61 new units were issued, 49 of which were for second units/lower income households.

Ms. Cullinan stated that key highlights for 2011 include the development of multi-family design guidelines for employee housing on private school properties for affordable housing and participation in 2014-2022 Housing Element and Sustainable Cycle Communities Strategy development.

Ms. Cullinan recommended opening the public hearing and receiving public comment, closing the public hearing, and accepting the 2010 General Plan Implementation Report.

Mayor Kasten thanked Ms. Cullinan.

Vice Mayor Benton asked about Program 1-B2 on page 116 of the City Council agenda packet and whether an average construction of 15.5 second units per year was correct. Ms. Cullinan replied that was correct, as an average of 15.5 second units per year were constructed after the Planning and Building permit fees for second units were waived.

Vice Mayor Benton asked how the term “annexation” is used in Program 1-C1 of the Housing Element. Ms. Cullinan provided an explanation of how annexations of land adjacent to Hillsborough that permit housing opportunities are considered.

Councilmember Krolik recommended the need to encourage residents to offer second unit rentals to school or Town employees. Ms. Cullinan replied that was a good idea to offer second unit rentals to school and Town employees and stated that the Town currently informs Hillsborough Town and school employees of shared housing opportunities.

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

On motion of Councilmember Krolik, seconded by Vice Mayor Benton, and unanimous on voice vote, the 2010 General Plan Implementation Report was accepted.

OLD BUSINESS:

13. SCHEDULING OF CITY COUNCIL WORKSHOP AND HILLSBOROUGH CITY SCHOOL DISTRICT BOARD OF TRUSTEES / HILLSBOROUGH CITY COUNCIL JOINT STUDY SESSION

City Manager Anthony Constantouros stated that it was previously recommended to consider holding a Workshop to discuss topics related to the Town to meet the expectations and goals of the City Council. He explained that the Workshop would focus on topics that either require policy discussion, are a new concept, refine current direction, or have community impact. He added that it would be helpful to get ideas and guidance from the City Council for topics to discuss at the Workshop. He stated that the department heads would be available for discussion and questions. He requested that the Councilmembers submit ideas to him by the end of the week.

Mayor Kasten thanked Mr. Constantouros and requested that background information be made available to the City Council before the meeting. Mr. Constantouros replied that he would provide information prior to the Workshop and recommended scheduling the two meetings as previously scheduled.

On motion of Councilmember Krolik, seconded by Councilmember Chuang, and unanimous on voice vote, Friday, March 4, 2011, from 8:30 a.m. to 12:00 p.m. was scheduled as the date and time for the City Council Workshop and Saturday, March 12, 2011, from 9:30 a.m. to 12:00 p.m. was scheduled as the date and time for the Hillsborough City School District Board of Trustees / Hillsborough City Council Joint Study Session.

14. ACCEPT THE WATER AND SEWER RATES STUDY AND AUTHORIZE THE IMPLEMENTATION OF RECOMMENDATIONS PRESENTED BY MUNICIPAL FINANCIAL SERVICES, CONSULTANTS, AND THE FINANCIAL ADVISORY COMMITTEE

Finance Director Edna Masbad stated that the Water and Sewer Rates Study was commissioned by the Town last fall. She introduced Tom Pavletic of Municipal Financial Services and stated that he would be available to answer questions.

Ms. Masbad provided a Power Point presentation on the 2010 Water and Sewer Rates Study and reported that the Town did a similar study back in 2006, where the Town adopted water and sewer rates for four years. She explained that water rate increases ranged from 6% to 8% with the last change implemented on January 1, 2010, and sewer rates were increased by 3% each year with the last change implemented on July 1, 2010. She stated that the Town adjusted tiers, aligned and phased in fixed meter charges to industry standards and established a formula to compute an equivalent dwelling unit to be used for the non-residential sewer accounts.

Ms. Masbad stated that the 2010 Rates Study is designed to be used for the next five years for a more cost-effective and efficient compliance to the Proposition 218 noticing requirements on utility charges. She reported that the plan is for water rate increases to take effect soon after adoption, projected for May 2011, with the next one to take effect January 2012, and with the last change to happen on January 2015. She stated that sewer rate increases will take effect every July 1st starting in 2011, and the final change on July 1, 2015. She added that the current study continues to implement policies adopted in 2006, including aligning the fixed meter charge to the industry standard.

Ms. Masbad explained that the Water and Sewer Rates Study was difficult, as the Town is trying to find a way to temper the rate increases and, at the same time, address its need to maintain and improve the water infrastructure and pay the rising cost of wholesale water.

Ms. Masbad reported that the Water Master Plan was presented by Public Works on October 2010, and again on November 2010, with four levels of capital program funding, but no action was taken on the Master Plan and the City Council directed staff to incorporate the alternatives in the rates study. She stated that the study was awarded to Municipal Financial Services on October 11, 2010, and presented to the Financial Advisory Committee (FAC) on January 20, 2011. She further stated that the study is now being presented to the City Council for acceptance and for related recommendations.

Ms. Masbad reported that the Proposition 218 notice could be mailed shortly after approval and the required public hearing to approve rates and accept protests will be held at the April 2011 City Council meeting. She stated that the Proposition 218 notice requires a 45-day period before the public hearing, and, if approved, the first set of rate increases could be implemented on May 1, 2011, for water and implemented on July 1, 2011, for sewer.

Ms. Masbad reviewed the assumptions used in the study.

Ms. Masbad reported that the FAC, after a lengthy discussion with the help of the City Council sub-committee of two members appointed to separately review the study before presenting it to the FAC, recommended an overall water rate increase of 14% in year 1 and 13% in years 4-5 with the Alternative D1 Capital Improvement Program of \$24.4M in ten years with level funding of approximately \$2.4M each year from a combination of rates and reserves. She reported that the FAC also recommended a sewer rate increase of 7% each year for the next five years with a Capital Improvement Program of approximately \$35M in the next five years with \$17.5 from debt and \$17.5 from a combination of rates and reserves.

Ms. Masbad stated that the FAC's recommendations, however, were accompanied with a strong recommendation that the Town adopts the policy and process to separately account funds for operations and the capital program to ensure that capital funds are not utilized for any other purpose.

Ms. Masbad provided a chart and explained the study's deliberation of the four funding alternatives for the water capital program. She reported that the recommended increases, at least for the first three years are needed for operations just to comply with the 1.20 coverage ratio required by the debt covenant. She stated that with or without a capital program, the Town needs to implement the recommended rate increases for the first two years and most of the third year. She further stated that the FAC recommended supporting the Alternative D1 that provides \$24.4M in funding for ten years and provides level funding of approximately \$2.44M every year.

Ms. Masbad reviewed the water cash flow projection and capital program funding schedule for fiscal year 2010 through fiscal year 2015, and provided projections for the average bimonthly residential bills, including the projected water use, purchases and wholesale rate, which is projected to triple within the next ten years. She explained

that the revenue projections using the recommended rate increases were based on the last two years' water usage, which decreased by 9% each year from 2 years earlier. She stated that consumption is projected to decrease by 2% each year for a variety of reasons, including the State's 20 by 2020 water conservation plan. She added that all expenses, except for water purchases, were only projected to escalate by 3%; the main reason being that using a higher inflation factor will mean an even higher rate increase.

Ms. Masbad reviewed the capital program funds, target reserves, debt service coverage ratio and cash flow projection, and capital improvement program projects. She stated that both operating expenses and the specific capital projects need individual approval, first through the budget process and then through further review and City Council approval.

Ms. Masbad reported that residents with low water usage should see an increase of 18% the first year, average usage, an increase of 15%, and high usage, an increase of 14%. She explained that the higher percentage for the low usage is attributable to the fact that the meter charge is the same regardless of water usage.

Ms. Masbad provided a chart comparing the Town's water rates with selected cities. She explained that the chart shows the current and proposed rates in 2011 and how they compare with Mill Valley and Tiburon in Marin County and with Woodside and Atherton on the Peninsula – both for average and high usage.

Ms. Masbad reviewed the sewer cash flow projection and capital program funding schedule, and stated that the capital program is again funded from the combination of the rate increases each year and the reserves. She reported that the capital program matrix shows projects for the next five years and the total project cost is around \$141M, of which the Town's share is \$35M. She stated that the next five years is covered by this rate cycle and that approximately half of it will come from the rates (current rate increases and reserves) and half of which will be funded from debt payment, which will start in fiscal year 2015/2016. She added that these projects are still subject to further review and subject to the annual budget process and City Council approval.

Ms. Masbad reported that there are challenges to implementing the FAC recommendations. She explained that the FAC approved for City Council recommendation 14% and 7% rate increases for water and sewer respectively, but asked to separately account for the funds. She stated that at this point, staff is still working on the policy and process to implement the FAC recommendation about maintaining the capital funds. She further stated that there will be situations where the 3% escalation factor will be insufficient; increases beyond the Town's control, such as wholesale water rates turning out more expensive than what were considered in this study, or if water usage came out even lower than the 2% conservation factor used. Ms. Masbad stated that staff needs more time and would like to work with the City Council commissioners for a functional policy and that she plans to present the policy to the City Council upon the rates adoption.

Ms. Masbad recommended accepting the study, implementing the FAC recommendations, authorizing the Proposition 218 notice, and scheduling a public hearing for the rates adoption on April 11, 2011.

Vice Mayor Benton stated that the water and sewer rates study was reviewed by the FAC a couple of weeks ago and also by the subcommittee. He reported that the FAC broke the water and sewer rate increases into separate actions, as the sewer operations is predictable and the rates are controlled, whereas the water operations is unpredictable as the less water is used the more the Town has to charge for water usage. He stated that a conscious effort was made when considering increasing the fixed meter charge by keeping in mind the citizens who are on a fixed income, but further stated that it takes a certain amount of funds to run the water system and the proposed increases would meet the fundamental needs of the water system. Vice

Mayor Benton explained that the sewer revenue is not as complicated as the water revenue, as sewer charges are established. He stated that some capital improvement program costs for sewer projects will be allocated from operations.

The Councilmembers, Ms. Masbad, Public Works Director Martha DeBry, and Mr. Pavletic further discussed the water and sewer operations, rate alternatives, assumptions, and the debt service ratio.

On motion of Councilmember Krolik, seconded by Vice Mayor Benton, and unanimous on voice vote, the Water and Sewer Rates Study was accepted. Staff was directed to implement the 14% recommended water rate increase to take effect after the public hearing and a 13% annual increase each January 1 for the next four years. Staff was also directed to implement the 7% recommended annual sewer rate increase for the next five years starting July 2011. The City Council authorized mailing the related Proposition 218 notice and set the public hearing to adopt the rates on April 11, 2011.

DISCUSSION:

15. 2010 URBAN WATER MANAGEMENT PLAN UPDATE

Public Works Director Martha DeBry introduced Ed Cooney, Senior Program Analyst with CSG Consultants, Inc., to provide an update on the 2010 Urban Water Management Plan (UWMP). Mr. Cooney provided a Power Point presentation and stated that the UWMP Act requires urban water suppliers to report, describe, and evaluate water deliveries and uses, water supply sources, efficient water uses, and Demand Management Measures (DMMs), including an implementation strategy and schedule. He explained that the UWMP Act also requires water shortage contingency planning and drought response actions for 15%, 25%, 35% and greater than 50% reduction events. He stated that an UWMP is required to be eligible for a water management grant or loan administered by the Department of Water Resources (DWR), the State Water Resources Control Board, or the Delta Stewardship Council.

Mr. Cooney reported that new elements of the 2010 Urban Water Management Plan include the Water Conservation Bill of 2009 (SB-7), a 60-day notice of public hearing to the County and relevant entities, implementation of water DMMs in UWMP for grant/funding (except those deemed “not locally cost-effective”), and a July 1, 2011 extension to adopt the 2010 UWMP. He explained that SB-7 requires a 20% reduction in water usage by 2020 and requires urban water suppliers to report in UWMPs the base daily per capita water use (baseline), interim and urban water use target, and compliance with daily per capita water use.

Mr. Cooney explained that the UWMP adoption process requires plan preparation, coordination with appropriate agencies and the public, a public hearing and adoption, availability of the UWMP for public review within 30 days of adoption, submittal to DWR, California State Library and the County, and implementation of the plan.

Mr. Cooney reported that the Bay Area Water Supply and Conservation Agency (BAWSCA) support includes tracking of San Francisco Public Utilities Commission and DWR UWMP and SB-7 developments, facilitating agency meetings and preparing deliverables (June 2010 – June 2011), developing UWMP common language, and conducting a regional SB-7 analysis.

Mr. Cooney provided a 2010 UWMP timeline with key dates. He stated that the next steps would be for a 60-day notice to the County and relevant entities in March 2011, a 30-day notice of public review and hearing in May 2011, a public hearing and adoption of the UWMP in June 2011, availability of the UWMP within 30 days in June/July 2011, and submission to the DWR and other agencies and notification to relevant entities in July 2011.

Councilmember Krolik asked if a baseline is still in the future since the Town of Hillsborough has already met the baseline water usage. Mr. Cooney replied that a ten-year average water usage baseline will be determined by the Town.

Vice Mayor Benton asked if San Mateo County has any role in the Urban Water Management Plan. Mr. Cooney replied that he is not aware of the County having any role in the Urban Water Management Plan, but that BAWSCA does have a role.

Mayor Kasten asked how many water connections are located in Hillsborough. Mr. Cooney replied that there are approximately 4,000 water connections in Hillsborough.

Mayor Kasten thanked Mr. Cooney.

PUBLIC COMMENT:

Hillsborough resident W. J. Spitz stated that he objected to the increase in garbage rates. He asked why the garbage collection company needed several millions of dollars when they are getting several millions of dollars from recycling. He also stated that he did not need recycling every week and that recycling pick up every two weeks was fine with him. He added that placing his carts two feet apart takes up half of the frontage of his property.

Public Works Director Martha DeBry replied that an increase in garbage rates is needed to balance Hillsborough's account with Allied Waste for services rendered in 2010 in the amount of \$300,000. She stated that she anticipates more revenue from recycling, but cannot quantify the dollar amount to offset the rate quite yet. She further stated that in subsequent years the revenue from recyclables could be used to offset the rate. She suggested that Mr. Spitz change to a 20-gallon container with the lowest subscription rate to reduce his cost for garbage service and that he could subscribe to the free backyard service.

Mayor Kasten thanked Ms. DeBry.

City Engineer Cyrus Kianpour reported that the Sanitary Sewer Cleaning and Video Inspection Project will exceed the contingency amount and requires additional funding due to a manhole buried on Denise Drive and a sewer main that is approximately 20 feet deep. He estimated the additional cost to be approximately \$52,000 to \$70,000 and stated that an agenda staff report will be submitted to the City Council with a recommendation to authorize a contract for the additional work.

Mayor Kasten thanked Mr. Kianpour.

CITY COUNCIL ITEMS:

Mayor Kasten announced that the Council of Cities Dinner/Meeting will be held in the City of San Bruno on Friday, February 25, 2011. Mayor Kasten and Vice Mayor Benton announced that they would be attending.

ADJOURN:

Mayor Kasten adjourned the meeting at 8:09 p.m.