# MINUTES REGULAR CITY COUNCIL MEETING MONDAY, APRIL 11, 2011

Mayor Kasten 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, Benton, Chuang, May

Absent: Krolik

<u>MINUTES:</u> The minutes of the March 14, 2011 City Council meeting were approved as submitted.

## PRESENTATION:

- Mayor Kasten introduced City of San Bruno Councilmember Irene O'Connell, who
  introduced Randy Schwartz, Community Services Director for the City of San Bruno.
  Councilmember O'Connell provided an update on the situation in San Bruno and
  presented a proclamation expressing appreciation to the Town of Hillsborough for
  assistance provided in response to the September 9, 2010 San Bruno explosion and
  fire. Mayor Kasten thanked Councilmember O'Connell and Mr. Schwartz.
- Vice Mayor Benton recognized Finance Director Edna Masbad for the Government
  Finance Officers Association's Distinguished Budget Presentation Award to the Town of
  Hillsborough and Certificate of Recognition for Budget Presentation to Ms. Masbad. He
  stated that the award is the highest form of recognition in governmental budgeting and
  represents a significant achievement by the Finance Department. He thanked Ms.
  Masbad and the Finance Department for their long hours and hard work. Mayor Kasten
  congratulated Ms. Masbad for this notable achievement and stated that it was very welldeserved.

Items 2, 4 and 8 of the Consent Calendar were removed for discussion. On motion of Councilmember May, seconded by Councilmember Chuang, and unanimous on voice vote, Consent Calendar items 1, 3, 5-7 were approved.

# **CONSENT CALENDAR:**

MONTHLY CLAIMS: MARCH 1 THROUGH MARCH 31, 2011

The monthly claims for the month of March 2011, in the amount of \$2,421,594.99 were approved as submitted.

2. QUARTERLY TREASURER'S REPORT

Mayor Kasten asked Ms. Masbad if the San Mateo County Local Agency Investment Pool (LAIF) has been looked into recently. Ms. Masbad replied that two and a half years ago, the Financial Advisory Committee (FAC) made the recommendation to invest only in treasury bills and treasury notes and that the FAC continues to stay conservative with the Town's investments in treasury bills and treasury notes. Mayor Kasten recommended that the FAC periodically look at other investment vehicles, since the earnings are so low with the treasury bills and treasury notes. Vice Mayor Benton stated that the FAC continues to monitor options for investing the Town's funds and that it is an ongoing matter that is reviewed quarterly.

On motion of Mayor Kasten, seconded by Vice Mayor Benton, and unanimous on voice vote, the Treasurer's Report for the quarter ending March 31, 2011, was approved.

Vice Mayor Benton directed Ms. Masbad to provide the FAC with the Town's Quarterly Treasurer's Reports.

3. QUARTERLY INTEREST RATE PRODUCTS (SWAP) REPORT

The Interest Rate Products (SWAP) Report for the quarter ending March 31, 2011, was accepted.

4. RESOLUTION AUTHORIZING CONTINUED PARTICIPATION IN THE CITY/COUNTY ASSOCIATION OF GOVERNMENTS OF SAN MATEO COUNTY (C/CAG) AND APPROVAL OF THE JOINT POWERS AGREEMENT AND AUTHORIZING THE MAYOR TO EXECUTE THE JOINT POWERS AGREEMENT

Mayor Kasten introduced Richard Napier, Executive Director of the City/County Association of Governments of San Mateo County (C/CAG). Mr. Napier stated that all the cities within San Mateo County are members of C/CAG. He reported that C/CAG deals with a lot of issues that cities cannot deal with alone, such as transportation, air quality, stormwater runoff, hazardous waste, solid waste and recycling, land use near airports, and abandoned vehicle abatement. He stated that for the \$38,000 membership dues, the Town receives \$440,000 back in various C/CAG programs. Mr. Napier reviewed some of the highlights of the accomplishments of C/CAG, including the Measure M Department of Motor Vehicle fee, American Recovery and Reinvestment Act (ARRA) funds and Climate Action Plan. Mr. Napier explained that every four years the City Council is required to reauthorize continued participation in C/CAG and approve the Joint Powers Agreement.

Mayor Kasten thanked Mr. Napier and stated that C/CAG was the first organization in the State to create a Subregional Regional Housing Needs Assessment (RHNA).

On motion of Mayor Kasten, seconded by Vice Mayor Benton, and unanimous on voice vote, the resolution authorizing continued participation in the City/County Association of Governments of San Mateo County and approval of the Joint Powers Agreement and authorizing the Mayor to execute the Joint Powers Agreement, subject to the City Attorney's legal review, was adopted.

5. RESOLUTION APPROVING THE PURCHASE OF A WATER LEAK DETECTION SYSTEM DEVICE AND WATER LEAK CORRELATOR

The resolution approving the purchase of a listening device and leak correlator from Gutterman, Inc. for an amount not-to-exceed \$16,436.66, and allocating \$12,136.66 from the Water Enterprise Fund and \$4,300 to be submitted to the Department of Water Resources for grant funding reimbursement, was adopted.

6. RESOLUTION APPROVING AN AGREEMENT BETWEEN THE HILLSBOROUGH RECREATION DEPARTMENT AND THE TOWN OF HILLSBOROUGH FOR THE VISTA PARK SPORTS FIELD TURF MAINTENANCE

The resolution approving the agreement between the Hillsborough Recreation Department and the Town of Hillsborough for the Vista Park sports field turf maintenance was adopted.

7. RESOLUTION AWARDING THE SANITARY SEWER CLEANING AND VIDEO INSPECTION – PHASE VII (C) PROJECT TO J. HOWARD ENGINEERING, INC.

The resolution awarding the contract for the Sanitary Sewer Cleaning and Video Inspection – Phase VII (C) Project to J. Howard Engineering, Inc. in the amount of \$483,926.25, with a contingency in the amount of \$96,785.25 for a total construction budget of \$580,711.50, and allocating the same from the Sewer Fund, was adopted.

8. RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE CONTRACTS FOR THE EMERGENCY REPAIR OF THE FAILED SLOPE ADJACENT TO 140 AND 150 WOODRIDGE ROAD

Mayor Kasten announced that Police Captain Mark O'Connor had additional information on the emergency repair of the failed slope adjacent to 140 and 150 Woodridge Road. Captain O'Connor provided a Power Point presentation and reported that on Friday,

March 25, 2011, the Department of Public Works became aware of minor settling of approximately 40 feet of the unimproved dirt roadway shoulder on the east roadway edge of Woodridge Road directly across from 125 Woodridge Road. He stated that the shoulder of the roadway was separating and falling away from the concrete curb and gutter and was sagging towards the downhill incline into a ravine. He further stated that in order to protect both pedestrian and vehicle traffic, Public Works crews restricted the northbound lane of Woodridge Road by positioning both barricades and sandbags. He added that approximately 80 sandbags were placed to divert water away from the curb and gutter in an attempt to avoid further soil erosion.

Captain O'Connor reported that during the night of Friday, March 25, 2011, the situation worsened and it became evident the ground adjacent to and under the roadway was completely saturated with water from both rainstorms and runoff flow. He stated that the strongest recent rainstorm occurred on Thursday, March 24, 2011, during which approximately 1.5 inches of rain fell. He stated that on Saturday, March 26, 2011, at 8:30 a.m., while performing a site visit, he and Acting Public Works Director John Mullins noted the sagging shoulder had slid further out and away completely undermining the roadway. He explained that the slide exposed a 25-foot section of a 2-inch PG&E gas distribution line, as well as approximately 8 feet of a 6-inch water main, which remained suspended in a position under the northbound traffic lane of Woodridge Road.

Captain O'Connor stated that an emergency call to PG&E was placed for gas operation crews to respond and that Central County Fire was advised that a lane closure was in effect until further notice. He further stated that following notification, City Engineer Cyrus Kianpour and Assistant City Engineer Dave Bishop arrived along with Water Department and Sewer Department personnel. He reported that during the evaluation, staff noted that the ground beneath the suspended roadway continued to sag and fall. He stated that there was a continuous movement of ground water from multiple spots along the slide under the roadway. He further stated that a handheld steel probe was utilized to determine soil resistance, and through a series of tests, the soil was determined to be completely unstable.

Captain O'Connor reported that following a thorough site review and brief meeting, it became apparent immediate action was necessary to prevent further movement of the slide in order to protect the now exposed gas distribution and water main utilities. He stated that both Farallon Construction and Art Shea Construction were notified and asked to respond immediately to begin construction efforts to stabilize the existing condition of the roadway and prevent further slide movement. He further stated that Water Department personnel arrived and began an isolation plan to shut down the line in the event the slide destabilized the line to the point of failure.

Captain O'Connor reported that sewer crews arrived and quickly located the sewer main, which remained buried near the center of the roadway, and that PG&E crews also arrived and located both gas and underground electric lines. He stated that electric lines were located along the west roadway edge of Woodridge Road and were determined, at the time, to be safe. He added that in order to protect the gas line from the weight of the roadway in the event it fell, subsequent to slide movement, a wooden platform was constructed under the gas line.

Captain O'Connor reported that Farallon Construction had equipment, staff and supplies ready for immediate deployment and was, therefore, selected for the job. He stated that as soon as the heavy equipment was delivered, transport was dispatched to pick up four concrete K-rail segments to serve as additional roadway protection in the event the roadway failed completely. He stated that the Water Department staff installed reinforcing cast iron shoulder braces in order to provide additional support and strength to the suspended water main segments.

Captain O'Connor explained that during an examination of the slide material, it was determined that the soil was so saturated and muddy, additional measures would be necessary to prevent the hillside from failing completely. He stated that Mr. Mullins directed Farallon Construction to install corrugated steel piling material for the purpose

of securing the slide. Captain O'Connor reported that stabilization efforts continued by placing a 40-foot section of 12-inch pipe from a constructed drain basin built into the hillside, which was secured by both earth and approximately 200 sandbags.

Captain O'Connor reported that crews began the individual placement of the piling segments supporting the gas line, as well as the water line. He stated that base rock was placed around the suspended water line to provide support while the gas line was supported via chain cabling to an overhead piling. He added that the entire site was then draped in plastic sheeting and secured with sandbags to further control erosion and to direct the flow of water away from the slide area. He added that once construction was completed, the K-rails were placed around the slide area of the roadway.

Captain O'Connor provided photos of the 100 block of Woodridge Road, the visible 2-inch PG&E residential gas line, the sagging roadway edge, removal of asphalt and base materials, installation of drain pipe, and installation of 18 steel pilings.

Mr. Kianpour stated that staff engaged a geotechnical consultant to perform drilling, soil investigation, and a report to be utilized for preparation of plans for the permanent repair of the roadway and to control future land movements. He reported that informal bidding on the project will occur soon and that construction will begin late April or early May 2011.

Mayor Kasten thanked Captain O'Connor and Mr. Kianpour.

On motion of Mayor Kasten, seconded by Councilmember May, and unanimous on voice vote, the resolution authorizing the City Manager to execute all necessary contracts up to the aggregate amount of \$168,000 from the General Fund Reserves for the emergency repair of the failed slope adjacent to 140 and 150 Woodridge Road was adopted.

# **PUBLIC HEARING:**

9. ORDINANCE AMENDING SECTION 13.34.030 OF THE HILLSBOROUGH MUNICIPAL CODE TO ADOPT MAXIMUM SEWER SERVICE CHARGES FOR THE NEXT FIVE YEARS, STARTING JULY 1, 2011 - INTRODUCTION

Finance Director Edna Masbad provided a Power Point presentation on agenda items 9, 10 and 11. Ms. Masbad stated that a water and sewer rates study was done in the fall of 2010, with a previous study done in 2006, and that the adopted rates were for four years increasing the water rates 6% to 8% each year with the last change on January 1, 2010, and increasing the sewer rates 3% each year with the last change on July 1, 2010. She explained that the 2006 study used adjusted tiers, aligning fixed meter charges and establishing equivalent dwelling units (EDU) for non-residential sewer customers. She reported that the 2010 study would be for the next five years, with the water rates to take effect after the rate adoption, and with the sewer rates to take effect in July of each year. She stated that policies adopted in 2006 would continue to be implemented, including aligning the fixed meter charge to the industry standard.

Ms. Masbad reported that the Water Master Plan was presented to the City Council on October 11, 2010, and November 8, 2010, with four funding levels of the capital program, and that staff was directed to incorporate the alternatives in the rates study. She stated that the study was awarded to Municipal Financial Services on October 11, 2010, and was first presented and reviewed by the Financial Advisory Committee (FAC) subcommittee, specifically created for this task. She further stated that the study was presented to the FAC on January 20, 2011, and to the City Council on February 14, 2011. She reported that the Proposition 218 notice was sent out to residents on February 24, 2011, the public hearing to approve the rates is scheduled for the April 11, 2011 City Council meeting, and the first set of water rate increases would be implemented effective immediately, and on July 1, 2011 for sewer.

Ms. Masbad reported that consumption declined in the last two years and this reduced consumption was used as the base to project water consumption, incorporating a conservation rate at 2% each year following the California 20X2020 Water Conservation Plan. She explained that at the time the study was made, based on the information available then, the cost of the San Francisco Public Utilities Commission (SFPUC) wholesale water was to triple in ten years computed at the cost of \$1.90 per one hundred cubic feet of water (ccf) in fiscal year 2011 to \$3.21 in fiscal year 2015 and to \$5.67 in fiscal year 2020. She added that all other costs were to escalate 3% each year. She stated that the study continued to align the meter charge from \$60 in 2011 to \$100 in 2015. She reported that the sewer operating expenses, other than wastewater treatment, would escalate 3% each year. She added that wastewater treatment would pay for increased operating expenditures and capital improvements for San Mateo and Burlingame.

Ms. Masbad reviewed the FAC recommendations that include an overall water increase of 14% in years 1 and 13% in years 4 through 5, Alternative D1 Capital Program at \$24.4 million in ten years with level funding of approximately \$2.4 million each year from a combination of rates and reserves, a sewer rate increase of approximately 7% each year for the next five years, a capital program of approximately \$35 million in the next five years with \$17.5 million from debt and \$17.5 million from a combination of rates and reserves, and the adoption of a policy and process to separately account for funds for operations and the capital program to ensure that capital funds not be used for any other purpose.

Ms. Masbad provided a chart showing the rate alternatives for four levels of funding, which ranged from \$7.9 million to \$45 million.

Ms. Masbad reported that water rate increases for the first three years are needed just to comply with a 1.2:1 debt coverage ratio, and that \$2.4 million each year for years 2 and 3 would come from reserves. She stated that capital projects completed in this rate cycle would cost \$10.2 million, with \$3.9 million primarily coming from rates during years 4 and 5 and \$6.3 million coming from prior years' reserves.

Ms. Masbad provided a chart on the projected average bi-monthly residential bills showing how the Town's bi-monthly rates at \$147.60 would compare with Bear Gulch (Atherton, Portola Valley, and Woodside) at \$142.22, San Jose Water Company (Monte Sereno) at \$108.46, CalWater (Los Altos Hills in Santa Clara County) at \$148.94, and Burlingame at \$223.10.

Ms. Masbad stated that \$10.2 million was available for the sewer capital program from current revenues in this rate cycle (five years) and that the remainder would come from capital reserves. She further stated that \$34.9 million would be available for the capital program, with \$17.4 million from debt and \$17.5 million from a combination of rates and prior year reserves. She added that funding to pay for debt would start in fiscal year 2015/2016.

Ms. Masbad reviewed the caveats, which included what to do if the 3% escalation factor for operations was insufficient, what to do if projected costs beyond the Town's control (including water wholesale rates and sewer treatment contracts) were insufficient, and what to do if water consumption declines more than the 2% conservation factor used in the study.

Ms. Masbad provided the latest information from SFPUC regarding water projections. She stated that the wholesale water rate used in the study was \$2.25 per ccf, but that since the study was developed, wholesale water rates from the SFPUC estimates had gone up several times. She reported that wholesale water rates included in the official SFPUC notice received on Thursday, April 7, 2011, would go up to \$2.80 per ccf and to \$2.90 effective January 1, 2012, if 2011 sales fall to 130 million gallons per day (MGD) or lower. Ms. Masbad stated that at \$2.90 per ccf, which is a 53% increase from the current rate, the shortfall for the water operations could be \$1.2 million. She explained that one reason the rates are going up is because the SFPUC has under-collected \$65.2

million the last three years due to reduced water sales - a 15% decline in consumption on average. She stated that the decline in consumption is due to the combination of the economy, drought in the previous years resulting in conservation practices, and, most recently, a very cool summer and a wet winter. She further stated that the SFPUC is trying to collect from the wholesale users \$25.6 million in fiscal year 2011/2012 and \$5.9 million in fiscal year 2012/2013. Ms. Masbad reported that, additionally, there has been a 9% downward trend in the Town's water sales during the period of July 2010 to March 2011. She stated that with the initial analysis, the Town might need approximately 30% or higher of a water rate increase, initially, to comply with the 1.2:1 debt service ratio requirement.

Ms. Masbad provided a chart showing the current and proposed maximum water meter charge and bi-monthly service rates and annual sewer service charge with a five-year implementation plan.

Ms. Masbad stated that the recommendations for the sewer charges were to introduce and waive the first reading of the ordinance, open the public hearing and receive comments, close the public hearing, acknowledge information on protests received and presented by the City Clerk at the conclusion of the public hearing, and schedule adoption of the ordinance at the May 9, 2011 City Council meeting amending Section 13.34.030 of the Hillsborough Municipal Code to adopt the maximum sewer services charges for the next five years, starting July 1, 2011.

Vice Mayor Benton stated that the FAC has been reviewing the water and sewer rates study for the past four months and he stated that the Town definitely has a problem. He explained that water is going to get more expensive, the Town's infrastructure must be maintained and that the infrastructure is supported through the rates. He explained that if the Town charges \$4.38 per ccf and pays the SFPUC \$2.25 per ccf, the Town only gets \$2.13 per ccf to manage the Town's infrastructure, and that the Town is currently selling less water than usual.

Vice Mayor Benton stated that he was a committee member and Chair of the FAC and that the previous Public Works Director Martha DeBry made a presentation to the FAC about the Water Conservation Plan, which laid out an extensive plan with the objective to use less water. He stated that in 2006, as a result of the Water Conservation Plan, he went to the podium during a City Council meeting to report that residents were not using enough water and that the Town was not getting the required \$2.13 per ccf, which affected the Town's revenue from the sale of water, as the Town needed sufficient funds for the bond coverage.

Vice Mayor Benton reported that the SFPUC embarked on the \$4.3 billion upgrade of the regional Hetch Hetchy water system, and this capital cost will be passed onto all Bay Area customers supplied by the Hetch Hetchy system. He added that the SFPUC needs to increase rates because of their debt coverage issue also.

The Councilmembers and Ms. Masbad further discussed the water and sewer rates study.

Vice Mayor Benton stated that the sewer rates are very different than the water rates, as the sewer rates are predictable and the Town knows what to collect and knows what needs to be done with the sewer infrastructure. He reported that under the Cease and Desist Order issued by the Regional Water Quality Control Board in March 2009, the Town must fund capital improvement costs for projects to eliminate sanitary sewer overflows.

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

Mayor Kasten asked City Clerk Miyuki Yokoyama to acknowledge the information on the protests received. Ms. Yokoyama explained that pursuant to Proposition 218, the proposed sewer rates will not be adopted if more than 50% of the affected property

owners submit written requests protesting the proposed rates. She stated that written requests can be mailed, faxed or hand-delivered through the conclusion of tonight's public hearing. She reported that there are 3,879 property owners within the Town's sewer service area, and that 50% of this number plus 1, or 1,940 valid protests, will prevent the Town from adopting the proposed sewer rates. She stated that the Town has received only 55 protests filed following the requirements of Proposition 218 and that 47 of those protests did not include the Assessor's Parcel Number or address. She reported that since only 55 protests were received, the Town will be able to adopt the proposed sewer rates.

Mayor Kasten thanked Ms. Yokoyama.

On motion of Vice Mayor Benton, seconded by Councilmember May, and unanimous on voice vote, the adoption of the ordinance amending Section 13.34.030 of the Hillsborough Municipal Code to adopt maximum sewer service charges for the next five years, starting July 1, 2011, was set for the May 9, 2011 City Council meeting.

10. ORDINANCE AMENDING SECTIONS 13.20.020 AND 13.20.040 OF THE HILLSBOROUGH MUNICIPAL CODE TO ADOPT MAXIMUM METER SERVICE CHARGES AND MAXIMUM WATER SERVICE RATES FOR THE NEXT FIVE YEARS, EFFECTIVE APRIL 12, 2011 – ADOPTION

Finance Director Edna Masbad continued her Power Point presentation and reviewed the recommendations for the water rates and charges. She recommended introducing and waiving the first reading of the ordinance, opening the public hearing and receiving comments, closing the public hearing, and acknowledging information on protests received and presented by the City Clerk at the conclusion of the public hearing. She stated that in order for the Town to comply with the revenue requirements of the bond covenant, it is requested that the urgency ordinance be approved for immediate implementation, and that the ordinance amending Sections 13.20.020 and 13.20.040 of the Hillsborough Municipal Code to adopt maximum meter charges and water service rates for the next five years, effective April 12, 2011, be adopted.

Vice Mayor Benton stated that the term "meter charge" is misleading, as it is not a cost for paying for the meter, but rather it is a fixed charge for the cost of water. He reported that in 2006, the Town identified that less water was being used, but that the Town still needs to support the water infrastructure through meter charges and water service rates.

Ms. Masbad explained that the meter charge is the fixed cost to deliver water to a property regardless if water is used or not.

Mayor Kasten opened the public hearing.

Resident Glenn Rice stated that most tax payers work for a living, are busy and do not have time for meetings like this. He further stated that most companies have had to increase efficiency in the last three years with overhead costs going down and not up, but that with the local, state and federal governments, the costs are going up. He reported that trash rates are going up 25%, sewer 35% in five years, and water 82% in the next six years, and that this is outrageous. He stated that the Town should be ashamed, but added that he knew that it was not all the Town's fault. He stated that more communication between the Town and tax payers is needed through emails and mailings. He further stated that the City Council needs to advocate on behalf of the Town's residents. He asked to see the Town's costs, such as pension, per capita, and Town vehicles. He stated that he would like the City Council to demand an audit of the San Francisco Public Utilities Commission (SFPUC) and that he would like to see more transparency of the SFPUC. He concluded by saying that he would like more communication between the Town and residents, reduction of the Town's internal costs, and more advocacy from the Town's elected officials. He thanked the City Council.

Resident Michele Dee asked why the City of San Mateo was not included in the water rate comparison. Ms. Masbad replied that the comparison chart compares the smaller communities, with the argument being that the cost is spread out more comparatively with similar sized communities.

Resident Ada Regan stated that she was probably the biggest water consumer in Hillsborough. She asked when the SFPUC gets money, where does it go, how is it used, and is it used legally and efficiently. She commented that the Grand Jury should be called into investigate the SFPUC. She requested information on the water rates for the City of San Mateo, and the population of Hillsborough for the years 2006 through 2011. She asked if the SFPUC says to jump, does the Town always jump. Ms. Regan stated that there are wells in Hillsborough and that some communities charge residents for residential wells. She stated that she did not accept the figures presented from the water and sewer study and vehemently objects to what the Town is proposing. She commented that the Water Use Reports that she has been receiving are a waste of money.

Mayor Kasten reported that for many years the Town of Hillsborough has been a member of the Bay Area Water Supply and Conservation Agency (BAWSCA), which advocates for the Peninsula water users. He stated that BAWSCA is the watchdog group for the operations and finances of the SFPUC. He reported that just recently, the SFPUC wanted to change the way they charge for water, which was not a good idea, and that BAWSCA advocated loudly and clearly against that change. He stated that BAWSCA supplements their agency with consultants and experts, and does a very good job representing the Peninsula communities. He added that former Hillsborough Councilmember and Mayor John Fannon was a former Chair of BAWSCA and that no one could "pull the wool" over Mr. Fannon's eyes. He stated that the Town will get the population data to Ms. Regan as soon as possible.

Resident Jane Field asked if Hillsborough could consolidate with other cities to save on the cost of water. Mayor Kasten replied that as a member of BAWSCA, an agency of 26 members, the Town gets the best rates. Ms. Field asked if homeowners are allowed to dig wells on their properties. City Engineer Cyrus Kianpour stated that there is no prohibition for wells in Hillsborough, but that a permit must be obtained from San Mateo County's Department of Health Services. Ms. Field stated that the schools, golf course or Ms. Regan's place could use wells to irrigate the plants. Acting Public Works Director John Mullins reported that the Burlingame Country Club has a well to irrigate the property and that there 25 wells located in Town. He added that an electrical permit is required from the Building Department for the installation of an irrigation well in Hillsborough. Vice Mayor Benton stated that additional wells in Hillsborough would compound the Town's problem, as the Town would be selling less water and would still need the water revenue to maintain the water infrastructure.

Ms. Regan asked if the Town could collect water. Mr. Kianpour replied that if the Town collected water, the Town would need the means to store water and that it is difficult to build such a facility and that water quality would be an issue.

Mayor Kasten closed the public hearing.

Mayor Kasten asked City Clerk Miyuki Yokoyama to acknowledge the information on the protests received. Ms. Yokoyama explained that pursuant to Proposition 218, the proposed water rates will not be adopted if more than 50% of the affected property owners submit written requests protesting the proposed rates. She stated that written requests can be mailed, faxed or hand-delivered through the conclusion of tonight's public hearing. She reported that there are 4,011 property owners within the Town's water service area, and that 50% of this number plus 1, or 2,006 valid protests, will prevent the Town from adopting the proposed water rates. She stated that the Town received only 64 protests filed following the requirements of Proposition 218 and that 55 of those protests did not include the Assessor's Parcel Number or address. She reported that since only 64 protests were received, the Town will be able to adopt the proposed water rates.

Mayor Kasten thanked Ms. Yokoyama. He stated that even though only 64 protests were received, the City Council takes each protest seriously. He added that if the SFPUC rates go down, the City Council will reevaluate the meter service charges and water service rates.

Vice Mayor Benton stated that the FAC reviews the Public Works Department's budget to cut costs and increase efficiency and that a lot has been done, including the installation of more energy efficient pumps, and the use of the pumps at night when the PG&E rates drop.

On motion of Councilmember May, seconded by Vice Mayor Benton, and unanimous on voice vote, the ordinance amending Sections 13.20.020 and 13.20.040 of the Hillsborough Municipal Code to adopt maximum meter charges and water service rates for the next five years, effective April 12, 2011, was adopted.

## **NEW BUSINESS:**

11. RESOLUTION AUTHORIZING WATER SERVICE RATES AND METER SERVICE CHARGES FOR THE YEAR 2011, EFFECTIVE APRIL 12, 2011

Finance Director Edna Masbad further continued her Power Point presentation and reported that rate changes to the bi-monthly water meter charge and service rates, effective April 12, 2011, would increase 14% overall. She provided a chart showing the current, proposed, and percentage change for the meter charges.

Ms. Masbad reported that if the City Council adopts the initial water rate increases recommended in the study, staff recommends that wholesale users, through the Bay Area Water Supply and Conservation Agency (BAWSCA), attempt to work with the San Francisco Public Utilities Commission (SFPUC) for a reasonable solution to being charged the negative balancing account (i.e. phase-in collection over a longer period of time). She also recommended that after further analysis of the latest information received, including a more realistic level of water sales and purchases, staff will report back to the City Council for a recommended plan of action. However, she added that based on the latest information received about wholesale water costs, the City Council could opt to adopt a higher rate than what is initially recommended for the April 12, 2011 implementation.

Mayor Kasten asked when the SFPUC is holding the public hearing on the increase in rates. Ms. Masbad replied that the effective date of the new SFPUC rates is July 1, 2011, so the SFPUC will need to notify its customers before that date.

Vice Mayor Benton announced that he accepted staff's recommendations. He stated that BAWSCA has been very aggressive in its urgent need to work with the SFPUC regarding the SFPUC rate increases to recover its prior year's problems. He reported that BAWSCA was formed to fight the SFPUC and that the State of California oversees the SFPUC.

Mayor Kasten asked if anyone from the public wished to speak. There were no comments.

On motion of Vice Mayor Benton, seconded by Councilmember Chuang, and unanimous on voice vote, the resolution authorizing water service rates and meter service charges for the year 2011, effective April 12, 2011, was adopted.

Mayor Kasten stated that the City Council does not take the increases lightly, but that the City Council must ensure that the Town's infrastructure operates efficiently and safely.

## **OLD BUSINESS:**

#### SHARED FIRE SERVICES UPDATE AND REPORT

City Manager Anthony Constantouros provided background information on the shared fire service with the Central County Fire Department (CCFD) and the Millbrae and San Bruno Fire Departments. He reported that shared services studies included MATRIX reports from 2007 and 2008, and that a Citygate Associates, LLC shared fire services analysis was conducted in 2010. He stated that on October 21, 2010, the CCFD Fire Board had a Study Session on the Citygate evaluation report with Councilmembers from the cities of San Bruno and Millbrae in attendance. He stated that City Council representatives from Millbrae and San Bruno attended a Study Session held by the Central County Fire Department Board on Wednesday, March 16, 2011, on the shared fire services with the three entities. He reported that at that meeting, the formula for sharing costs and the governance structure was discussed.

Mr. Constantouros reviewed the process related to possible shared fire services. He reported that the City Managers, Fire Chiefs and Fire staff from the four cities work well together and that the unions have been cooperative and strive to understand the issues of the possible merger. He stated that there have been complex discussions regarding the shared services, as each city's Fire Department has developed uniquely and has many moving parts. He reported that the San Bruno Fire Department is efficiently staffed, shares the Fire Chief with the Millbrae Fire Department, but has limited savings opportunity with shared services, and has a different pay and benefits schedule. He also reported that Millbrae has an excellent Fire Department, would be an excellent fire partner, but has a fire tax, which is not a guaranteed revenue source.

Mr. Constantouros stated that in a time of shrinking budgets and economic issues, shared services is a concept which could produce savings and improve efficiency. He reported that San Mateo County has developed home rule, where each separate city performs most municipal services, including fire, police, water, wastewater, and library services. He stated that not all counties and cities have this range of services, and it has worked well in San Mateo County, but there are too many cities, too many Fire Departments, and too many separate functions within the twenty cities in San Mateo County, as there is some overlap, duplication, and conflict. He added that agencies such as the City/County Association of Governments of San Mateo County (C/CAG) and the Bay Area Water Supply and Conservation Agency (BAWSCA) work well for the cities in San Mateo County, as these agencies have a consolidated approach, and that working together produces better results for San Mateo County.

Mr. Constantouros stated that the CCFD reviewed the financial analysis for the shared services and reviewed several cost sharing possibilities and found that a 50% CCFD/30% San Bruno/20% Millbrae split would provide some savings to all. He added that the formulated estimated savings for annual projections based on the fiscal year 2010/2011 adopted budget was included in the City Council agenda packet, which shows that Millbrae would save \$375,000, San Bruno \$230,000, Burlingame \$546,000 and Hillsborough \$364,000. He added that the split is not precise and assumes the pay and benefits at the CCFD level, and that the figures could change dramatically if these assumptions change. He added that other fire-related issues are going on in the County that could affect CCFD. He reported that San Carlos, for example, is looking at alternatives such as a private contractor or utilizing the services of Cal Fire. He stated that the financial projections are conservative and not inflated, and that the projections do not include likely savings in over-time costs.

Mr. Constantouros reported that delivery of Advanced Life Support (ALS) services has improved fire operations over the last ten years, and it has facilitated shared services opportunities. He stated that ALS opened up unanticipated savings for the CCFD and that the same results may be attained over time by working together with the other cities. He explained that new opportunities to work seamlessly in the County have included sharing costs for training and mechanics, as well joint emergency operations, and possibly extending the temporary closure of Fire Station 36, which could be

accomplished independent of a merger and would financially benefit only CCFD. Mr. Constantouros added that potential opportunities for service enhancements and other efficiencies are not all known at this time. He stated that the CCFD merger experience has shown that involving more than one jurisdiction in sharing resources provides new perspectives and innovative methodologies that are not readily discernable prior to the sharing of services.

Mr. Constantouros reviewed possible models for shared fire services, including a merger of administrative functions currently functioning in San Bruno and Millbrae, a contractual agreement (such as the agreement that Daly City, Brisbane and Pacifica have, with Daly City providing oversight for the two other cities), independent fire departments that report to an elected or appointed fire board, or a fully merged department, such as the CCFD. He reported that during the last few years, the merger has worked well with CCFD, with the City Managers rotating the Chief Administrative Officer position every two years. Mr. Constantouros reported that the recommendation on governance was to retain the same structure as that used with CCFD, with four cities involved instead of two cities, with four City Managers rotating as the CAO position, and with one or two Councilmembers serving on the Fire Board from each of the cities. He stated that in the proposed functioning of the four-way Fire Board, the majority vote of three would overrule a minority member and that the City Council should be aware of this possibility. He added that safeguards could be built into the agreement to protect each communities' service levels and that if the governance structure was not acceptable, then shared services should not proceed.

The City Council, Mr. Constantouros, and CCFD Fire Chief Don Dornell further discussed the possibility of sharing fire services with CCFD and the Millbrae and San Bruno Fire Departments.

Mayor Kasten thanked Mr. Constantouros. Staff was directed to convene with these agencies to develop an action plan to bring back to the City Council at a future City Council meeting.

13. ORDINANCE REVISING AND UPDATING TITLE 16 OF THE HILLSBOROUGH MUNICIPAL CODE REGARDING SUBDIVISIONS – INTRODUCTION

The ordinance revising and updating Title 16 of the Hillsborough Municipal Code regarding subdivisions was postponed to a later meeting.

# **DISCUSSION:**

14. TOWN OF HILLSBOROUGH'S POLICY AND PROCESS TO SEPARATELY ACCOUNT FOR FUNDS FOR OPERATIONS AND THE CAPITAL PROGRAM AND TO ESTABLISH TARGET RESERVES FOR THE WATER AND SEWER OPERATIONS

Finance Director Edna Masbad stated that the Financial Advisory Committee (FAC) recommended that the Town adopt a policy and process to separately account for funds for operations and the capital program for the water and sewer operations to ensure that revenues from rate charges designated for the capital program not be used for any other purpose. She further stated that the FAC also recommended that the Town establish target reserves, which it will strive to maintain to the extent possible with available revenues and subject to the Town's compliance to the requirement of the bond covenant.

Ms. Masbad reviewed pages 163 and 164 of the City Council agenda packet regarding the Water Enterprise's cash flow projects for level funding of the ten-year capital program of \$24 million.

The City Council, Ms. Masbad, City Attorney Norm Book and City Manager Anthony Constantouros further discussed the recommended policy and process to separately account for funds for operations and the capital program and to establish target

reserves for the water and sewer operations. The City Council voiced their concerns about the recommended policy and process and target reserves.

Mr. Constantouros recommended that staff return to a future City Council meeting in three to six months with updated information on cash flow projections for the water and sewer enterprises to establish a policy and process to separately account for funds for operations and the capital program and to establish target reserves for the water and sewer operations. Vice Mayor Benton stated that he was comfortable with that recommendation. Ms. Masbad replied that she would return to a future City Council meeting with updated information on cash flow projections for the water and sewer enterprises.

Mayor Kasten thanked Ms. Masbad.

## 15. MARCH 24, 2011 STORM AND RELATED DAMAGE TO TOWN PROPERTY

Police Captain Mark O'Connor provided a Power Point presentation on the March 24, 2011 storm. He reported that on Thursday, March 24, 2011, a major Pacific storm brought heavy rain and winds to San Mateo County, which affected the Town of Hillsborough. He stated that the weather report placed rain estimations at 1.5 inches, which fell in an approximate four-hour period with the heaviest portion falling from 10:30 a.m. through 12:15 p.m. He further stated that there had already been 21 days of measureable rainfall during the month of March 2011, which contributed to a saturated ground condition. He reported that high winds were measured at 25 to 35 miles per hour with gusts of up to 45 miles per hour.

Captain O'Connor provided photos and reported that the rainfall from the storm quickly flooded low lying areas. He reported that falling trees and branches generated some localized power and phone outages as power lines fell, one of which affected the entire Public Works Department's Municipal Service Center. He also reported that several intersections and much of El Camino Real were flooded as storm drains reached capacity, which generated slow traffic conditions, and that one collision resulted from the hazardous conditions.

Captain O'Connor provided photos and a diagram of the Town Hall complex and reported that the Town Hall complex parking area also became flooded by a fast moving current of water. He explained that due to the relative grade and position, all the water moving through the parking lot area at Town Hall had to pass around the Police building, which sustained minor flooding.

Captain O'Connor reported that several residents called to report water-related damage, and each respective area's storm drain was checked and found to be clear of debris, and the conclusion was that the storm drains were simply overwhelmed due to excessive rain-related flow. He stated that in the days that followed, crews continued to perform clean-up duties throughout Town.

Mayor Kasten thanked the Police, Fire and Public Works Departments for all their hard work during and after the storm.

Resident Michele Dee stated that the flooding around the Town Hall complex is due to poor engineering and that there should be a better drainage system engineered to prevent further flooding problems.

## **PUBLIC COMMENT:**

Acting Public Works Director John Mullins introduced Dennis Diemer, who has been hired as a consultant to assess the current functions and duties of the Public Works Department and identify opportunities to improve efficiencies.

# **CITY COUNCIL ITEMS:**

Mayor Kasten announced that the Employee Service Awards Luncheon will be held on Thursday, April 14, 2011. Councilmember Chuang announced that she would be attending.

Mayor Kasten announced that the Council of Cities Dinner/Meeting will be held in the Town of Woodside on Friday, April 29, 2011. Mayor Kasten and Vice Mayor Benton announced that they would be attending.

Mayor Kasten congratulated Police Corporal David Young for his second Instructional Excellence Award that he received at the March 3, 2011 South Bay Regional's San Mateo Police Academy graduation.

# **ADJOURN:**

Mayor Kasten adjourned the meeting at 9:57 p.m.