

MINUTES
REGULAR CITY COUNCIL MEETING
MONDAY, MAY 9, 2011

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

ROLL CALL: Present: Kasten, Benton, Krolik, Chuang, May

MINUTES: The minutes of the April 11, 2011 City Council meeting were approved as submitted.

PRESENTATION:

- Mayor Kasten proclaimed May 15-21, 2011, as National Public Works Week. Public Works Administrative Supervisor/Project Manager Craig West accepted the proclamation and thanked Mayor Kasten and the City Council.
- Mayor Kasten proclaimed April 24-30, 2011, as Mosquito and Vector Control and West Nile Virus Awareness Week. Dr. Lawrence Peterson, the Town's trustee for the San Mateo County Mosquito and Vector Control District, accepted the proclamation and announced that he would be retiring from the Board after 25 years of service, but that he would stay on until a replacement is found. Dr. Peterson introduced Chindi Peavey, the District's Vector Ecologist, who thanked Dr. Peterson for providing wisdom for a good many years to the District.
- Mayor Kasten proclaimed May 2011 as Elder and Dependent Adult Abuse Awareness Month. Helen Karr, boardmember of the San Mateo County Long-Term Care Ombudsman Program and Chair of the Education and Advocacy Committee, accepted the proclamation and thanked the City Council for raising awareness of elder and dependent adult abuse and reported that in California elder abuse occurs less than every two minutes.

Item 7 of the Consent Calendar was removed for discussion. On motion of Vice Mayor Benton, seconded by Councilmember Krolik, and unanimous on voice vote, Consent Calendar items 1-6, 8 and 9 were approved.

CONSENT CALENDAR:

1. MONTHLY CLAIMS: APRIL 1 THROUGH APRIL 30, 2011

The monthly claims for the month of April 2011 in the amount of \$2,313,256.26 were approved as submitted.

2. RESOLUTION PROVIDING FOR INTERIM MODIFICATIONS TO THE BUSINESS LICENSE TAX

The resolution providing for interim modifications to the business license tax for fiscal year 2011/2012 was adopted.

3. RESOLUTION SETTING THE AMOUNT OF THE SPECIAL TAX FOR POLICE PROTECTION AND FIRE PROTECTION AND PREVENTION FOR FISCAL YEAR 2011/2012

The resolution setting the amount of the public safety tax for fiscal year 2011/2012 was adopted.

4. 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 - REINTRODUCTION

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

reintroduced and the first reading of the ordinance was waived. June 13, 2011, was set as the public hearing date to consider adoption of the ordinance.

5. 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 – INTRODUCTION

The back-up 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 introduced and the first reading of the back-up ordinance was waived. June 13, 2011, was set as the public hearing date to consider adoption of the back-up ordinance.

6. RESOLUTION AWARDDING THE 720 CHATEAU DRIVE ROAD REPAIR PROJECT TO FARALLON COMPANY

The resolution awarding the contract for the 720 Chateau Drive Road Repair Project to Farallon Company in the amount of \$30,600, with a contingency in the amount of \$4,590, for a total construction budget of \$35,190, and allocating the same from the Water Fund was adopted.

7. RESOLUTION AWARDDING THE MANHOLE RECOVERY PROJECT TO FARALLON COMPANY

Councilmember May asked if the Manhole Recovery Project is on private property. City Engineer Cyrus Kianpour replied that the three buried manholes were located on private property in an area covered by landscaping, and that the manholes were located during a sewer cleaning and inspection project. Public Works Administrative Supervisor/ Project Manager Craig West stated that the manholes are located at 120 and 121 New Place Road.

Councilmember Krolik asked if it was possible to recover some of the cost to raise the manholes. City Attorney Norm Book replied that it is not known when the manholes were buried by landscaping and that it could have been done by the previous owners.

Councilmember May asked if a portion of the cost could be recovered from the previous property owners. Mr. Book replied that the statute of limitations may have run out, but that he would have his litigation department review it to see if all or a portion of the cost of repair could be recovered from the previous property owners.

The City Council and Mr. Book further discussed the Manhole Recovery Project.

On motion of Councilmember May, seconded by Councilmember Krolik, and unanimous on voice vote, the resolution awarding the contract for the Manhole Recovery Project to Farallon Company in the amount of \$43,500, with a contingency in the amount of \$4,350, for a total construction budget of \$47,850, and allocating the same from the Sewer Fund was adopted.

8. RESOLUTION APPOINTING A DIRECTOR TO THE BOARD OF THE BAY AREA WATER SUPPLY AND CONSERVATION AGENCY (BAWSCA) AND BAY AREA REGIONAL WATER SYSTEM FINANCING AUTHORITY (RFA)

The resolution appointing a Director to the Board of the Bay Area Water Supply and Conservation Agency (BAWSCA) and Bay Area Regional Water System Financing Authority (RFA) was adopted.

9. REPORT ON THE STATUS OF THE REPAIR AT 140-150 WOODRIDGE ROAD SLOPE FAILURE

A report on the status of the repair for the 140-150 Woodridge Road slope failure was provided to the City Council for information only; no action was required.

PUBLIC HEARING:

10. RESOLUTION AUTHORIZING SEWER SERVICE CHARGES AND WATER AND SEWER CONNECTION FEES EFFECTIVE JULY 1, 2011

Finance Director Edna Masbad reported that the Town undertook a comprehensive water and sewer rate study in the fall of 2010 and that the consultants presented their findings and recommendation to the Financial Advisory Committee on January 20, 2011, and at that meeting the Committee made the recommendation for the City Council to approve the study. She stated that the City Council approved the study and its implementation at the February 14, 2011 City Council meeting and that the public hearing to approve the recommended rates was held at the April 11, 2011 meeting. She added that at that meeting the City Council adopted the ordinance adopting a maximum sewer service charge of \$2,325 per Equivalent Dwelling Unit (EDU). She explained that this resolution will authorize the implementation of a sewer service charge of \$1,774 per EDU for fiscal year 2011/2012, starting July 1, 2011, representing a 7% increase from the \$1,658 current residential rate.

Ms. Masbad reported that water and sewer connection fees are to be annually adjusted based on the Engineering News Record Construction Cost 20-City Average Index (ENR-CCI), which for December 2011, was 2.75%.

Ms. Masbad stated that the recommendation was to open the public hearing and receive comments, close the public hearing, and to adopt the resolution authorizing sewer service charges and water and sewer connection fees for fiscal year 2011/2012, effective July 1, 2011.

Mayor Kasten thanked Ms. Masbad.

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, the resolution authorizing sewer service charges and water and sewer connection fees for fiscal year 2011/2012, effective July 1, 2011, was adopted.

11. RESOLUTION SETTING AND CONFIRMING THE FEES AND CHARGES FOR FISCAL YEAR 2011/2012

Finance Director Edna Masbad reported that the City Council is required to adopt by resolution, the fees and charges for the following fiscal year. She stated that there are no proposed increases to the existing fees except for the hourly rates charged for specific services. She further stated that the recommendation was to open the public hearing and receive comments, close the public hearing, and adopt the resolution setting and confirming the fees and charges for fiscal year 2011/2012.

Mayor Kasten thanked Ms. Masbad.

Councilmember Krolik stated that by pulling building permits and paying fees, residents receive excellent inspections, which helps protect residents by ensuring that the work is being done properly and to code.

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

On motion of Councilmember Krolik, seconded by Councilmember May, and unanimous on voice vote, the resolution setting and confirming the fees and charges for fiscal year 2011/2012 was adopted.

12. RESOLUTION ADOPTING THE 2011/2012 OPERATING AND CAPITAL BUDGET

Finance Director Edna Masbad provided a Power Point presentation and reviewed the budget process. She stated that the development of the budget was based on several major city goals, including community safety, long-term fiscal health, land use, protection of the Town's infrastructure, and City Council priorities, including disaster preparedness, sustainability, cost-efficiency, and sustainability of operating costs. She reported that during December 2010, and January 2011, revenues were estimated to determine funds available for operations, and costs were estimated for delivering services. She stated that the process included discussions among the City Manager, Finance and other departments until a proposed budget was achieved. She reported that a presentation was made to the Financial Advisory Committee (FAC) in April for the FAC to approve the budget for recommendation to the City Council. She stated that the budget was presented to the City Council in a Budget Study Session and is being heard as a public hearing agenda item at this evening's City Council meeting and may also be continued to June, with a recommendation for approval after the public hearing with the City Council's ability to veto line items. She added that after the budget approval, separate actions covering approval of fees and charges, other fees and taxes to be implemented as of July 1, 2011, adoption of appropriations limit, and placement of fees and taxes to be collected with the property taxes, et cetera, are subsequently presented to the City Council.

Ms. Masbad provided a chart showing the citywide budget for operations, capital, and debt service with a total budget of \$42,988,634 for fiscal year 2011/2012. She reported that the operations and debt service of \$34 million equals \$3,137 per capita and \$8,837 per household.

Ms. Masbad provided another chart showing funding sources including taxes, permits, intergovernmental sources, use of assets, service charges, enterprise service charges, and all other funding sources, for a total of \$35.7 million. She reported that property taxes bring in \$10.48 million or 29% of the Town's revenue.

Ms. Masbad provided the history of the General Fund, which had an initial shortfall projection for fiscal year 2011/2012 of \$1.3 million. She reported that factors contributing to the shortfall included the retirement rates with fiscal year 2008/2009 investment losses, and the first year Other Post-Employment Benefits (OPEB) funding, which had to come from current operating revenues.

Ms. Masbad reported that budget solutions included \$590,190 from the Police Department, \$679,898 from the Fire Department, and \$437,930 from citywide decreases, concessions, and reductions for a total savings of \$1,708,018.

Ms. Masbad stated that major changes to the budget included moving Street Department staff back from the Sewer Department to the Street Department, not filling and not funding vacant positions, and reclassifying the Police Records Supervisor position.

Ms. Masbad reviewed the major assumptions, which included a ½% increase in property taxes, the excess Educational Revenue Augmentation Fund (ERAF) will continue to be distributed, no State takeaways, no Cost-of-Living Allowance (COLA) through January 1, 2012 (subject to labor negotiations), the various retirement rates, Station 36 continuing to be closed and truck engine staffing reduced, continued funding of OPEB (without current active fire personnel), the OPEB liability for active fire employees was transferred to the Central County Fire Department (CCFD), fully funding the second annual amortization of CCFD's advance to pay off the side fund, and an 8% increase in health insurance premiums.

Ms. Masbad reviewed the revenue sources for Streets Rehabilitation (which included approximately \$800,000 in annual funding), various continued and restored programs and services, and other capital projects. She provided a chart showing the General

Fund Summary with figures for actual fiscal year 2009/2010, revised fiscal year 2010/2011, and proposed fiscal year 2011/2012, which showed a balanced budget for fiscal years 2010/2011 and 2011/2012. She stated that there would be no use of reserve funds.

Ms. Masbad reviewed the proposed changes to the Sewer Fund, which included a 7% annual increase starting July 1, 2011, through July 1, 2015, a 5-year capital program of \$35 million through fiscal year 2015/2016, reserve funds for projects through fiscal year 2013/2014 in the amount of \$8,143,831, and a projected reserves balance at June 30, 2014, of \$1.78 million. Ms. Masbad provided a chart showing the Sewer Fund Summary and stated that there would be enough operating revenue to be made available for the capital program.

Ms. Masbad reviewed the Sewer Fund Capital Program for fiscal year 2011/2012, which included the Crystal Springs/EI Cerrito Trunk Sewer Replacement Phase II Project for \$11,073,995, the Sewer Lateral Inspection Program for \$610,000, the Sewer System Repair Design Project for \$130,941, the Sewer Line Repair Design Project for \$77,850, the Flow Metering Project for \$50,000, and the EI Cerrito Relief Line Design Project for \$250,000.

Ms. Masbad reviewed the assumptions in the Water Study, which included the cost of wholesale water at \$2.25 per one hundred cubic feet (CCF), a 2% conservation factor each year, 13-14% rate increases for the first three years to cover operations only, usage of the consumption data for fiscal year 2008/2009 and fiscal year 2009/2010 as the base (a 9% decrease each year), implementation of a 3% rate increase as of April 12, 2011, an increased meter charge from \$50 to \$60, and a 10-year capital program with level capital funding of \$2,440,153 for fiscal year 2011/2012.

Ms. Masbad reviewed the assumptions in the proposed budget for water, which included a 13% increase effective January 1, 2012, meter rates of \$60 to \$70, a usage charge of \$4.38 to \$4.95, level consumption incorporating data from current year showing consumption decreasing by 9% from fiscal year 2009/2010, the cost of wholesale water at \$2.80 per CCF (based on latest available information from the SFPUC), and based on the projected increase in cost of \$762,850.

Ms. Masbad provided a chart on the Water Fund Summary and stated that water sales have been going down 25% the last two years. She also provided charts on the water fund reserves and SFPUC wholesale water rates. She reported that the SFPUC wholesale water rates are expected to go up due to the SFPUC's \$4.6 billion capital program and that the SFPUC is trying to collect \$65.2 million from the last three year's reduced water sales due to an overall 15% decline in consumption. She also reported that the Peninsula wholesalers' share is \$31.5 million, with collection of \$25.6 million in fiscal year 2011/2012 and \$5.9 million in fiscal year 2012/2013. She stated that there is concern about the debt coverage ratio and bond ratings. She further stated that there is a timing difference, as the Town implements rate changes on January 1 on lower winter consumption and that the SFPUC changes rates on July 1.

Ms. Masbad stated that the latest developments from the SFPUC as of May 6, 2011, included that the SFPUC clarified that water rate adjustments will have no effect on the SFPUC's water bond ratings, the main reason for the big increase is that wholesale water purchases have been lower than estimates, the SFPUC under-collected the last three years, and that the SFPUC will collect the debt over three years instead of one-plus year. She reported that the final rate determination will be made on May 10, 2011, whereby the SFPUC General Manager will recommend a 38% increase instead of a 47% increase, a \$250,000 reduction in the proposed cost of water for the Town.

Ms. Masbad reviewed the water revenues distribution showing the cost of water, debt service, capital program and operations costs. She reported that the Water Fund Capital Program for fiscal year 2011/2012 included the Vista Water Tank and Pump Station Improvements Project for \$2,854,120, the Skyfarm III and Tournament New Pressure Tanks Project for \$220,868, the Premium Efficient Pump and Motor

Replacement Project for \$252,600, the Water Tanks Inspection Project for \$57,880, the Water Master Plan, Studies and Modeling Project for \$90,000, and the Marlborough Tanks Improvement Design Project for \$27,000 and \$29,000.

Ms. Masbad stated that the FAC approved for recommendation to the City Council the fiscal year 2011/2012 proposed budget. She added that FAC Member Josh Cooperman will present suggestions and concerns during the public hearing. She recommended approving operating and capital budgets for fiscal year 2011/2012, approving changes to Policy No. 409 – Budget and Fiscal Policies, and deleting the Police Records Supervisor position and replacing it with a Records Clerk II position.

Ms. Masbad reported that the proposed change to Policy No. 409 regarding hiring recently retired management employees will be subject to the following conditions: 1) will in no way add to the Town's short-term or long-term retirement liability or cost, 2) will result in specific, measurable and quantifiable savings to the Town, 3) will be subject to compliance with all CalPERS policies and procedures, and 4) will require documentation of conditions, and will be subject to the approval of the City Manager for management employees and the Mayor for the City Manager position.

Ms. Masbad reviewed the Governmental Accounting Standards Board (GASB) 54 implementation including old and new classifications.

Ms. Masbad reported that there are concerns about the water operations as the shortfall from operations would be taken out of reserves that the Town would like earmarked for capital improvement and other reserves; not able to comply with debt service coverage required by the covenant, and there may be changes to the Town's bond ratings, which is currently AAA.

Ms. Masbad reviewed options, which will be presented at a later date, and include phasing in increases in annual increments for the next five years and stepping up the schedule for sending another Proposition 218 notice. She stated that other considerations include sending Proposition 218 notices more often than every five years due to the uncertainty of SFPUC rate projections, changing the implementation of new rates from January to July to get more timely SFPUC rate projections, and aggressively pursuing the SFPUC for an alternate way to deal with under-collection.

Mayor Kasten thanked Ms. Masbad.

Mayor Kasten opened the public hearing.

Financial Advisory Committee Member Josh Cooperman stated that the FAC recommended approval of the budget and desired to have concerns identified to the City Council. He further stated that concerns are not conditions to approval, but cautionary suggestions for consideration by staff and by the City Council.

Mr. Cooperman reported that the FAC had a strong Town position on the SFPUC rate adjustments for July 2011. He stated that because of the SFPUC's inadequate charges in the past, they are now trying to recoup past expenses. He commented that because the Town operates on a five-year plan, the couple of months notice that the SFPUC gave for rate adjustments put the Town in a box. He suggested that the Town's City Attorney review whether or not the SFPUC could submit a retroactive application and was also reviewing the duration of the surcharge, which was compressed in two to three years. He stated that the SFPUC needed to integrate their process in the future with their wholesale customers' rate considerations. He reported that the FAC suggested consideration of additional rate adjustments for residents, particularly if the outcome is adverse to the wholesale customers. He urged greater flexibility and frequency in the rate setting process, for example, the duration between new Proposition 218 proceedings. He also urged consideration of greater initial increases within the current framework. He stated that the FAC suggested consideration of changing the effective date from January 1 to July 1 to coincide with the SFPUC rate-setting process, and implementation of increases to residents prior to receipt of all wholesale costing data.

Mr. Cooperman urged enhanced communication with ratepayers with earlier pro-active notification of issues and explanations with water bills, the Town's website, et cetera. He also urged frequent review of quarterly budgetary assumptions. He suggested a review of the rate methodology and asked if there should be a Tier 1 increase, a flat per parcel fee for the shortfall, or fewer or deferral of conservation initiatives. He also asked how the Town could conform its process to the SFPUC rate initiatives and stated that there was a need for more options.

Mr. Cooperman commented that the Town should replenish reserves to maintain cash flow flexibility and to maintain the Town's credit parameters. He also commented that the Town should exceed the bond issues' minimum financial covenants at all times. He reported that the FAC appreciated the support for expense reductions from the Town's staff.

Mayor Kasten thanked Mr. Cooperman.

Vice Mayor Benton stated that the FAC recommendations hit the points well. Mr. Cooperman replied that the recommendations are just advisory, but that the Town's prompt action will help the Town's funds.

Mayor Kasten expressed his appreciation for the FAC and stated that the Town was fortunate to have the caliber of the people who serve on the FAC.

Vice Mayor Benton stated that one fact that is controlling the Town's water rates is that the cost of water from the SFPUC is going up, as the SFPUC is spending 4.3 billion dollars for the capital program to maintain the infrastructure. He also reported that residents are using less water, which affects the Town's revenue from water sales; nevertheless, there is a State mandate to use less water.

Mayor Kasten commented that the Town needs to educate residents to understand that the SFPUC water rate increases imposed on the Town impacts the residents' rates.

Mayor Kasten thanked Councilmember Krolik for working with the Public Works Department, other cities and the SFPUC, and for getting the State and Federal legislature involved to assist with lowering the SFPUC's water rate increase.

Councilmember Krolik thanked Public Works Engineering Consultant Dennis Diemer and Bay Area Water Supply and Conservation Agency Director Art Jensen for their assistance.

The public hearing was closed.

On motion of Councilmember Krolik, seconded by Vice Mayor Benton, and unanimous on voice vote, the resolution adopting the 2011/2012 Operating and Capital Budget was adopted with revisions to Policy No. 409, Budget and Fiscal Policies, and elimination of the Police Records Supervisor position.

Mayor Kasten thanked Ms. Masbad for a fantastic budget report, which included a tremendous amount of information. He also thanked the Town's staff for their professionalism and dedication to the Town by saving the Town an enormous amount of money during tough economic times by making concessions and reductions to help balance the budget.

DISCUSSION:

13. DISCUSSION OF THE METROPOLITAN TRANSPORTATION COMMISSION - ASSOCIATION OF BAY AREA GOVERNMENTS SUSTAINABLE COMMUNITIES STRATEGY INITIAL VISION SCENARIO

Director of Building and Planning Liz Cullinan provided a Power Point presentation on the Metropolitan Transportation Commission (MTC) and Association of Bay Area Governments (ABAG) Sustainable Communities Strategy (SCS) Initial Vision Scenario (IVS). She reported that the City/County Association of Governments of San Mateo County (C/CAG) is responsible for implementing Senate Bill 375 for the Bay Area, which included preparing a SCS meeting a State-determined regional greenhouse gas (ghg) emission reduction target, if feasible; preparing an Alternative Planning Strategy (APS) if the SCS is unable to meet the regional target; integrating the ABAG planning processes and the Regional Housing Needs Assessment (RHNA); allowing for subregional SCS/APS development; and developing a substantial public participation process. Ms. Cullinan stated that the IVS establishes three primary vision goals, which are creating opportunities for focused growth, preserving and reducing development threats to existing open space, and reducing ghg emissions.

Ms. Cullinan reported that on January 10, 2011, the City Council adopted a resolution to become part of the San Mateo County subregional SCS/APS efforts, and in April of 2011, a Draft IVS outlining methods for implementing an SCS was released to local jurisdictions.

Ms. Cullinan stated that ABAG is now soliciting feedback on the IVS, including what additional funding would be needed to support housing growth; whether some of the growth be shifted to another part of the jurisdiction or elsewhere in the County or region, whether the Initial Vision Scenario growth estimate is too high; and what the challenges are to attract and retain jobs that match the workforce.

Ms. Cullinan reported that the Draft IVS assumes a twenty-five year planning period between 2010 and 2035, and under the assumptions of the Draft IVS, San Mateo County is expected to have a 35% increase in households during this time. She added that in the Draft IVS, Hillsborough is expected to have a growth of 752 households or a 20% increase. She stated that the Draft IVS utilizes Priority Development Areas (PDAs) and Growth Opportunity Areas (GOAs) to demonstrate how this growth might be accommodated near transportation, but Ms. Cullinan stated that Hillsborough does not contain either of these types of focused growth areas.

Ms. Cullinan stated that key information for consideration on the IVS as it relates to Hillsborough is that ABAG housing needs numbers are based on jobs and job growth, the Draft IVS uses ABAG jobs assumptions and assumes that Hillsborough had 1,624 jobs in 2010 and will have 2,277 jobs in 2035. However, she noted that the 2009 Certified Hillsborough Housing Element acknowledged 607 regular full-time jobs in Hillsborough. Ms. Cullinan reported that in the current year, Hillsborough licensed 1,267 businesses, and of this number 51% involved regular full-time jobs with the remaining 47% involved in in-home occupation or temporary jobs.

Ms. Cullinan stated that since Hillsborough is primarily built out, the creation of net new housing units is a challenge. She reported that over the last ten years, Hillsborough has produced an average of 20 new housing units per year. She added that Hillsborough's current RHNA and State Certified Housing Element acknowledge a total need of 86 new housing units within the current five-year planning period, which is an average of 17 new housing units per year. She stated that the Draft IVS projections assume the production of 30 new housing units per year, which is unrealistic for Hillsborough.

Ms. Cullinan reported that the Town's analysis for new housing opportunities concluded that there is opportunity in the Town for 134 new primary housing units and 82 new second units between 2007-2014, which assumes an average of 12 second units per year. She stated that while the number of primary housing units is finite, the number of second units can grow. She further stated that 12 second units annually over a 25-year period would be 300 new second units, and that 134 primary residential units plus new second units over 25 years would equal 434 units.

Ms. Cullinan stated that in terms of the IVS and RHNA, MTC and ABAG acknowledge that the Draft IVS is an unconstrained vision, meaning that it does not acknowledge

infrastructure and resource capacities and limitations. She explained that while jurisdictions can work towards higher goals as a visioning tool, they should also work towards a realistic number for purposes of managing expectations and producing a realistic outcome.

Ms. Cullinan explained that the Draft IVS also needs to address the State's greenhouse gas emission targets of a 7% reduction in ghgs by 2020 and a 15% reduction in ghgs by 2035. However, she stated as the Draft IVS stands today, the IVS is 3% deficient for the 2035 ghg goal. She stated that the Draft IVS references Hillsborough as a transit corridor jurisdiction, but Hillsborough only has approximately 1/4 of a mile along El Camino Real and is not, therefore, a major component of the transit corridor system.

Ms. Cullinan reported that in the Draft IVS, Atherton, Portola Valley and Woodside (neighboring jurisdictions with primarily single family residential communities) are projected to have only a 7.6% job growth over 25 years and Hillsborough is projected to have a 40.2% job growth over 20 years. She stated that in the Draft IVS, Hillsborough's job growth exceeds Burlingame, Redwood City, Foster City, Menlo Park, San Bruno, San Mateo and South San Francisco. She further stated that in the Draft IVS, Atherton, Portola Valley and Woodside are projected to only have a 3.9% housing growth over 25 years and Hillsborough is projected to have a 19.6% housing growth over the next 25 years.

Ms. Cullinan stated that the key ABAG issue for Hillsborough is whether the Initial Vision Scenario growth estimate is too high and, if so, whether some of the growth should be shifted to another part of the jurisdiction or elsewhere in the County or region.

In conclusion, Ms. Cullinan reported that while Hillsborough values utilization of visioning, the proposed IVS assumptions would present unrealistic expectations. She stated that ABAG's assumption has 1,624 total jobs, but that Hillsborough only has approximately 600 regular full-time jobs and that Hillsborough is a built out community and has availability for only 134 more new primarily residential units. She further stated that schools cannot accommodate the growth projected in the IVS, that the growth projected in the IVS could have significant environmental impacts to the community and sub-region, the existing infrastructure, particularly water supplies, would be substantially impacted, and that Hillsborough is limited to just one-quarter of a mile along a "transit corridor". Ms. Cullinan stated that since housing production should relate to regular full-time jobs, growth does not need to be shifted to other areas of the community or sub-region, but rather, the housing numbers should be adjusted to reflect the nature and needs of the jobs.

Ms. Cullinan stated that an alternative would be to examine the Town's total new housing development opportunities as done in the 2009 Housing Element and to more directly connect jobs to housing needs.

Ms. Cullinan recommended that the City Council discuss the IVS and provide comments to staff to forward to ABAG and MTC with a letter to be reviewed and signed by the Mayor.

Mayor Kasten commented that the Draft IVS numbers are flawed and do not make sense. He added that with financial and infrastructure constraints, ABAG needs to be more realistic, as there are no financial resources at this time to meet the IVS goals.

Hillsborough City School District Superintendent Anthony Ranii stated that a demographic study recently commissioned showed that the Hillsborough schools would not accommodate all the students projected in the IVS and would require that new buildings be built.

The City Council and Ms. Cullinan further discussed the IVS.

Mayor Kasten thanked Ms. Cullinan and Mr. Ranii.

14. UPDATE REGARDING THE SAN FRANCISCO PUBLIC UTILITIES COMMISSION WATER RATE INCREASE ALTERNATIVE FUNDING OPTIONS

Public Works Engineering Consultant Dennis Diemer provided a Power Point presentation on the San Francisco Public Utilities Commission (SFPUC) water rate increase. He reported that at the April 11, 2011 City Council meeting, staff announced that the SFPUC proposed a rate increase of 47%, raising the \$1.90 unit charge to \$2.80 per unit. He also reported that the City Council directed staff to discuss concerns with the Bay Area Water Supply and Conservation Agency (BAWSCA), as BAWSCA acts on behalf of the wholesale customers, and also for staff to identify similarly situated agencies to explore a joint response.

Mr. Diemer stated that a joint letter was sent to the SFPUC on May 6, 2011, which included signatories from the Cities of Millbrae, Daly City, East Palo Alto and Hillsborough, with the key message that the SFPUC's demand projections are overly conservative and unrealistic, and collecting the entire unpaid balance account in one year will create hardships for wholesale customers. He reported that the requested action was to revise the demand projections to reflect more likely consumption and to spread the collection of the unpaid balance account over a period of three years.

Mr. Diemer stated that BAWSCA members were divided over requesting the SFPUC to reconsider the 47% rate increase because of concerns over the impact to the SFPUC bond rating, and those agencies with drought reserves would prefer to pay off balances rather than pay interest. He further stated that given the lack of member consensus, BAWSCA would encourage accurate information, proper planning techniques and transparency from the SFPUC, but that BAWSCA would not advocate for specific changes in the SFPUC's rate proposal.

Mr. Diemer reported that the SFPUC has revised its proposed rate increase from 47% to 38% with the demand projection revised from 135 millions of gallons per day (mgd) to 140 mgd and with the unpaid balance account of \$25 million collected over three years rather than in a single year. He also reported that the SFPUC will hold a public hearing on the revised rate proposal on May 10, 2011. He stated that Hillsborough revised its own demand sales assumption from a 2% decrease in fiscal year 2011/2012 to a flat demand assumption in fiscal year 2011/2012.

Mr. Diemer stated that Hillsborough's budget now assumes 1.39 million units purchased from the SFPUC, and a rate reduction from \$2.80 per unit to \$2.63 per unit, which equals a \$250,000 savings. He further stated that Hillsborough's budget now assumes 1.29 million units sold to customers, a change from -2% to a flat demand, which equals a \$60,000 savings.

The City Council, Mr. Diemer, Finance Director Edna Masbad, Financial Advisory Committee Member Josh Cooperman, and City Manager Anthony Constantouros discussed the SFPUC rate increase, the Town's bond covenant and the Town's budget.

Mayor Kasten requested a revised copy of the Water Fund Summary, shown on slide #26 of the Budget Study Session presentation, with current estimates. Ms. Masbad replied that she will provide the revised information to the City Council.

Mayor Kasten thanked Mr. Diemer, Ms. Masbad and Mr. Cooperman.

15. ORDINANCE REVISING AND UPDATING TITLE 16 OF THE HILLSBOROUGH MUNICIPAL CODE

City Engineer Cyrus Kianpour provided a Power Point presentation and background information on the Municipal Code update to Title 16, Subdivisions. He stated that the update regulates the process of subdividing land, establishes the process required by the Town, references the Subdivision Map Act, and incorporates the California Environment Quality Act (CEQA). He reported that the Management Partners, Inc. study recommended revisions to this title. He added that a presentation was made to

City Council in April 2010, on the updates and revisions to Title 16. He stated that the revisions would streamline the process outlined in the Code while meeting the intent of Town policies.

Mr. Kianpour explained that the Subdivision Map Act regulates the process for subdividing property in the State of California and is annually updated through legislation or case law. He stated that the Town's process for subdividing property has been amended to modify the Subdivision Map Act and that the current process as outlined in the Municipal Code remains unchanged.

Mr. Kianpour reported that subdividing property in Hillsborough is a collaborative process amongst various departments, including Planning, Engineering, Police and Fire, and approved by the City Attorney. He stated that Title 16 will be revised to incorporate language to minimize future revisions.

Mr. Kianpour reviewed the areas of change which included incorporation of the Subdivision Map Act, attorney fees for subdivision improvement bonds, provisions for drainage, park in-lieu fees, and the design review process.

Mr. Kianpour stated that the recommendation was for discussion only, and to set June 13, 2011, as the date for introduction.

The City Council and Mr. Kianpour discussed the park in-lieu fees, lot line adjustments, slopes, and drainage.

City Attorney Norm Book requested that Section 16.28.020.A on page 259 of the City Council agenda packet be clarified, regarding drainage work being designed for a twenty-five year storm with no damage from a one-hundred-year storm. Mr. Kianpour replied that he would clarify Section 16.28.020.A.

Mayor Kasten thanked Mr. Kianpour.

PUBLIC COMMENT:

Hillsborough resident Josh Cooperman announced that he wanted to talk about the San Francisco Public Utilities Commission's (SFPUC) inappropriate determination to charge their customers an increase of 47% in water rates. He stated that there were a couple of points that he wanted to make. He stated that his first point was that the Town should look at the legality of the SFPUC's retroactive or post facto rate increases, as his understanding of the rate setting perspective is that the SFPUC cannot penalize their customers for the SFPUC's costs and that the SFPUC must adhere to general standards for setting rates for public utilities. He further stated that his second point was that the SFPUC's wholesale water customers should have been notified with a Proposition 218 notice for the water rate increases. He urged the Town to provide residents with a warning of what is going to happen and for the Town to band together with other agencies to make a statement to the SFPUC. Public Works Engineering Consultant Dennis Diemer stated that the SFPUC does not have to send a Proposition 218 notice to their wholesale water customers. Mr. Cooperman replied that that made no sense.

CITY COUNCIL ITEMS:

Councilmember Krolik announced that the Second Annual Hillsborough Memorial Day Parade will be held on Monday, May 30, 2011.

Councilmember Krolik announced that on Saturday, June 4, 2011, the Town will be holding an Environmental Fair, Shred-It Event and barbeque at Town Hall. Acting Public Works Director John Mullins stated that there will be 8-12 vendors at the Environmental Fair with information on improving the energy efficiency in homes.

Vice Mayor Benton announced that a Central County Fire Board meeting will be held on Tuesday, May 17, 2011, with representatives from the Cities of Hillsborough, Burlingame, Millbrae and San Bruno attending to discuss the proposed merger or sharing of administrative Fire Department services.

Mayor Kasten announced that the NO-DES water filtration system demonstration will be held on Wednesday, May 18, 2011, beginning with a slide show at 10:00 a.m. in the Council Chambers.

Mayor Kasten announced that the Council of Cities Dinner/Meeting will be held in the City of Brisbane on Friday, May 20, 2011. The Councilmembers all announced that they would not be able to attend.

Councilmember Krolik announced that on Monday, May 16, 2011, a Town meeting for residents will be held in the Council Chambers from 7:00 p.m. about mountain lion risks, teen parties, and disaster preparedness.

ADJOURN:

Mayor Kasten adjourned the meeting at 8:38 p.m.