

MINUTES
REGULAR CITY COUNCIL MEETING
MONDAY, AUGUST 8, 2011

Mayor Kasten called the regular meeting to order at 6:05 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 July 11, 2011 City Council meeting were approved as submitted.

CONSENT CALENDAR:

Item 3 of the Consent Calendar was removed for discussion. On motion of Councilmember Krolik, seconded by Vice Mayor Benton, and unanimous on voice vote, Consent Calendar items 1-2 and 4-9 were approved.

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

The monthly claims for the month of July 2011, in the amount of \$2,438,166.77 were approved as submitted.

2. RESOLUTION APPROVING THE FIRST AMENDMENT TO THE AGREEMENT FOR PROFESSIONAL SERVICES – PARKING CITATION PROCESSING AND ADJUDICATION BETWEEN THE TOWN OF HILLSBOROUGH AND TURBO DATA SYSTEMS, INC. (TDS)

The resolution approving the First Amendment to the Agreement for Professional Services – Parking Citation Processing and Adjudication between the Town of Hillsborough and Turbo Data Systems, Inc. (TDS) was adopted.

3. RESPONSE LETTER TO THE SAN MATEO COUNTY GRAND JURY REPORT REGARDING CELL TOWERS: PUBLIC OPPOSITION AND REVENUE SOURCE

Mayor Kasten asked how the Town's fees for cell towers compared to the fees collected by other municipalities. Assistant City Manager Kathy Leroux replied that a survey was done by the Grand Jury on the fees collected by the other cities and that the Town's fees fell right within the range of the other cities' fees. Mayor Kasten asked if the Town should increase the cost to file an application for a cell tower structure as the Town only charges \$2,500 compared to Pacifica's cost of \$3,750 and Daly City's cost of \$3,700. Ms. Leroux replied that she would confirm the accuracy of the fees that are being charged by the other cities in the Grand Jury survey.

On motion of Mayor Kasten, seconded by Councilmember Krolik, and unanimous on voice vote, the response letter to the San Mateo County Grand Jury report regarding cell towers was approved.

4. RESPONSE LETTER TO THE SAN MATEO COUNTY GRAND JURY REPORT ON TASER USE BY LAW ENFORCEMENT OFFICERS IN SAN MATEO COUNTY

The response letter to the San Mateo County Grand Jury report regarding Tasers was approved.

5. RESOLUTION AMENDING THE EXISTING ICMA-RC DEFERRED COMPENSATION PLAN TO PERMIT LOANS

The resolution amending the existing ICMA-RC Deferred Compensation Plan to permit loans and authorizing the City Manager to sign the Loan Guidelines Agreement on behalf of the Town was adopted.

6. RESOLUTION ALLOCATING UP TO \$102,208 TO HALF MOON BAY GRADING AND PAVING FOR EMERGENCY STREET REPAIRS ON CRYSTAL SPRINGS ROAD AND

EL CERRITO AVENUE AND FUNDING FOR ANTICIPATED ADDITIONAL REPAIRS FOR THE CURRENT FISCAL YEAR

The resolution allocating up to \$102,208 from the Capital Projects Budget to Half Moon Bay Grading and Paving for emergency street repairs and associated maintenance of the Town's streets was adopted.

7. RESOLUTION APPROVING THE VACATION OF AN EXISTING TEN-FOOT WATER EASEMENT LOCATED AT 130 NEW PLACE ROAD (LANDS OF HAO)

The resolution approving the vacation of the existing ten-foot water line easement crossing through the property at 130 New Place Road (Lands of Hao) was adopted.

8. RESOLUTION AUTHORIZING THE AWARD OF THE CONSULTING AGREEMENT FOR CULTURAL RESOURCES TEST EXCAVATIONS AND AGENCY CONSULTATION FOR PHASE II OF THE EL CERRITO / CRYSTAL SPRINGS TRUNK SEWER IMPROVEMENTS PROJECT TO HOLMAN & ASSOCIATES

The resolution authorizing the City Manager to enter into an agreement with Holman & Associates for \$180,500 to provide the necessary cultural resources services for Phase II of the El Cerrito / Crystal Springs Trunk Sewer Improvements Project and allocating the same from the Sewer Fund was adopted.

9. RESOLUTION APPROVING THE CSG WORK ORDER FOR ENGINEERING SERVICES RELATED TO THE EL CERRITO / CRYSTAL SPRINGS SEWER IMPROVEMENTS PROJECT

The resolution approving the CSG work order for engineering services related to the El Cerrito / Crystal Springs Sewer Improvements Project in the amount of \$41,000 and allocating funds from the Sewer Fund was adopted.

PUBLIC HEARING:

10. FUNDRAISING EVENT PERMIT APPLICATION 11-06 FOR THE CURIODYSSEY DINNER AND AUCTION

City Clerk Miyuki Yokoyama stated that CuriOdyssey (formerly Coyote Point Museum) submitted a fundraising application for a dinner and auction on Friday, September 23, 2011, from 6:00 p.m. to 10:00 p.m. at 190 Bridge Road.

Ms. Yokoyama stated that public notices have been sent to homeowners located within a 500-foot radius and that no comments have been received. She added that staff recommends approval of the application subject to the 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 Krolik, and unanimous on voice vote, the Fundraising Event Permit Application 11-06 for the CuriOdyssey "Tinkering by Twilight" Dinner and Auction on Friday, September 23, 2011, subject to the conditions recommended by staff, was approved.

OLD BUSINESS:

11. RESOLUTION APPROVING A THREE-YEAR AGREEMENT WITH CSG CONSULTANTS, INC. FOR ENGINEERING SERVICES

Public Works Engineering Consultant Dennis Diemer provided a Power Point presentation on the proposed CSG engineering agreement. He reported that he reviewed CSG's current arrangement and found that CSG staff were well-qualified and

possessed the necessary skills and experience, CSG's rates are reasonable compared to the marketplace, CSG's staff is effectively integrated with the Town's Public Works staff, and individual CSG invoices are complete with detailed documentation of services provided on a monthly basis. However, he stated that opportunities for improvement included that CSG's staff augmentation services should be more clearly separated from CSG's San Mateo office services, mechanisms for the Town to more proactively track expenditures should be developed to improve the ability to proactively manage and to track capital project costs vs. Budget/Council authorized amounts, and monthly CSG invoices should be reformatted to include summary information and clear linkages to authorizations.

Mr. Diemer explained that for the fiscal year 2011/2012 budget, CSG staff augmentation services were separated into three categories: contractual staff augmentation (CSG staff physically working in Hillsborough), professional (CSG staff working in the CSG San Mateo office, or other firms providing professional services) and general (other firms providing services such as pothole repair, tree trimming, etc.). Mr. Diemer stated that the fiscal year 2011/2012 budget includes specific staff augmentation line items for the Water Fund, Sewer Fund (which includes storm drains), Streets, Public Works Administration, and Building (Land Development). He reported that the CSG agreement's "modified global fee" approach divides the engineering services into three categories: Staff Augmentation, Professional Services, and Capital Improvement Program (CIP) Services.

Mr. Diemer reported that the proposed CSG agreement establishes the amount for staff augmentation services at a not-to-exceed annual amount of \$780,074. He further stated that additional staff augmentation services, if needed, require approval by the City Manager or designee. He stated that the CSG contract identifies the duties, time and hourly rate for the City Engineer, Assistant City Engineer, Assistant Engineer, Associate Engineer, Management Analyst/Program Manager, and Public Works Superintendent with changes to the number, character, or percentage of time for these individuals to require Town approval. He further stated that the Public Works Director and City Engineer will review the CSG staff's performance annually.

Mr. Diemer stated that additional professional services, such as the Woodridge Slide Repair Project, would require that separate approved work orders are in place before commencing work. He further stated that the Public Works Department would determine whether the additional professional services would be provided by CSG or by other firms on a case-by-case determination. He added that the agreement describes the typical duties for additional professional services.

Mr. Diemer reported that each CIP project would have either a Town or CSG Project Manager. He stated that the Public Works Department would determine whether CSG San Mateo or other firms would provide CIP engineering services on a case-by-case determination with any work on a CIP project requiring an approved work order in place. He added that the agreement describes the typical duties for each CIP projects.

Mr. Diemer stated that the agreement with CSG would be in place for three years following execution of the agreement and could be extended for additional one-year periods by mutual consent and that either party could terminate the contract with thirty days notice. He further stated that CSG's contract performance would be reviewed annually with CSG submitting a self-assessment to the City Manager and Public Works Director, and the City Manager and Public Works Director providing written feedback to CSG.

Mr. Diemer pointed out that CSG's fees are discounted by approximately twenty-five percent for staff augmentation services and that the fees would be reviewed annually at the beginning of the fiscal year. He reported that CSG's fees for additional professional services and CIP services would be at CSG's standard published rates with the fees reviewed annually at the beginning of the calendar year, effective at the beginning of the fiscal year.

Mr. Diemer reported that CSG services (staff augmentation, additional professional services, and CIP services), which were not segregated in the past, were \$1,581,000 for fiscal year 2008/2009 and \$1,515,000 for fiscal year 2009/2010. He added that it was important to note that engineering service costs will vary from year-to-year depending on the number and size of the CIP projects. He stated that with the proposed CSG agreement, staff augmentation services would be \$780,074 and additional professional services and CIP services would require separate approval. He further stated that engineering services for the approved fiscal year 2011/2012 CIP budget is \$2,500,000 to \$2,900,000 with service to be provided within the approved budget by CSG San Mateo or other firms as determined by the Public Works Director.

Mr. Diemer stated that the CSG invoices would be reformatted and reorganized to make tracking and review more efficient and proactive. He explained that the CSG invoices would use the same terminology as the budget, such as staff augmentation, professional services, CIP services, etc., and would include the purchase order numbers and Hillsborough General Ledger account numbers as appropriate. He reported that a summary tracking sheet would be developed to show monthly invoice amounts, cumulative year-to-date invoice amounts, total authorized amounts and percentage expended, so that there would be no surprises at the end of the year.

Mr. Diemer recommended approving the three-year CSG agreement, using invoice templates and tracking mechanisms that were put in place on July 1, 2011, to better manage CSG services, and continuing the development of tools to better manage and track CIP projects.

The Councilmembers, City Manager Anthony Constantouros and Mr. Diemer further discussed the proposed CSG agreement.

City Engineer Cyrus Kianpour thanked the City Council for giving CSG the opportunity to further serve the Town of Hillsborough.

On motion of Councilmember Krolik, seconded by Councilmember May, and unanimous on voice vote, the resolution approving a three-year agreement with CSG Consultants, Inc. for engineering services and authorizing the City Manager to execute the agreement on behalf of the Town was adopted.

NEW BUSINESS:

12. APPROVAL TO MOVE FORWARD WITH THE TEMPORARY FIRE STATION IMPLEMENTATION AND ADMINISTRATIVE CONSOLIDATION PLAN

Central County Fire Department (CCFD) Chief Don Dornell reported that since 2007, the CCFD has been in discussions to pursue consolidation or merger with the Millbrae and San Bruno Fire Departments. He stated that two consultants reviewed the feasibility of a consolidation and both had the recommendation that there would be some savings with a consolidation of fire services. He added that a San Mateo County Grand Jury report found that consolidations can be done and it would save cities money. He stated that at the May 2011 Study Session with the Fire Board and two Councilmembers from each potential partner city, it was recommended to establish a subcommittee with one Councilmember from each of the four cities and the four City Managers to receive and discuss an Implementation Plan for the establishment of a temporary, shared fire station and the consolidation of fire administrative staff. He reported that on July 11, 2011, the subcommittee met in a Study Session and unanimously agreed to bring the plan forward to each City Council for discussion and approval of the recommendations.

Chief Dornell provided a Power Point presentation on the Merger Implementation Plan. He reported that the subcommittee looked at the definition of success of a merger and recognized that there must be evidence of accomplishing financial targets and development of a plan for the Joint Powers Authority agreement including governance to maintain local control, and equality of decision making and financial agreement to ensure financial safety for all agencies. He further reported that the subcommittee

looked at operational success in response times and agency representation at the seven City Council meetings and seven staff meetings each month. He added that there must be a plan for a joint labor contract with buy-in from the labor groups.

Chief Dornell reviewed the projected annual saving with each city saving \$95,000 each year in administrative costs and Millbrae saving \$500,000, Burlingame saving \$300,000 and Hillsborough saving \$200,000 in the shared fire station. He stated that by building the temporary fire station, coverage, community impact and cost would determine if the shared fire station would be successful.

Chief Dornell reviewed the options for the temporary fire station and stated that the six locations included a three-acre Skyline site (staff recommendation), a San Francisco Public Utilities Commission property, a Matrix recommended site in Millbrae, the southeast corner of Skyline Boulevard and Trousdale Avenue, Cuernavaca Park in Burlingame, and Sebastian Park in Millbrae. He provided a chart showing the temporary fire station options, response area, community impact, costs for building a temporary fire station, and distances and times from Fire Stations 35 and 38.

Chief Dornell provided an organizational chart for the administrative merge and pilot study which included Councilmembers from the four cities, CCFD Fire Board, an Operational Oversight Committee (comprised of four City Managers to review performance and finances, analyze data and make recommendations, report to the City Councils, and meet regularly), and a Fire Chief. He stated that each agency would maintain full control and responsibility.

Chief Dornell reviewed the implementation timeline with October 1, 2011, for the administrative merge for joint staff meetings and shared personnel; July 1, 2012, to open the temporary fire station; March 1, 2013, for data analysis and a draft of the Phase II Plan; and May 2013, to determine if Phase I was successful, whether to continue with Phase II and whether to discontinue or continue the pilot program.

Chief Dornell reviewed Phase II, the full merger, which could be implemented in July 2013. He reported that the organization would include two Councilmembers from each of the four cities who would comprise the Central County Fire Authority Board (comprised of an eight member Board and one City Manager to review performance and finances, analyze data and make recommendations, report to the City Councils, and meet every four months). He stated that the Fire Chief or a designated Chief Officer would represent the department at City Council meetings.

Councilmember Krolik asked where the administrative merger savings would come from. Chief Dornell replied that the CCFD would be downsized due to a number of retirements within the next five years including a Fire Marshal. He stated that both of the current Fire Chiefs for the three departments will be retiring and should be replaced by one Chief directing the daily activities of the shared Fire Administration and the three departments thereby decreasing CCFD's cost of the Chief by 50%

Councilmember May asked if Phase I of the Merger Implementation Plan did not work would the two fire stations be recommissioned quickly. Chief Dornell replied that the two fire stations would be left vacant and could be operational within one week.

The Councilmembers and Chief Dornell further discussed the temporary fire station implementation and administrative consolidation plan.

City Manager Anthony Constantouros provided a Power Point presentation on the two phases of the fire services merger and stated that this provides the opportunity to get a clearer understanding of the fire services merger. He stated that at the April 11, 2011 City Council meeting, the City Council gave direction to develop an Action Plan. He further stated that the Action Plan was originally presented to the subcommittee of the four cities on June 14, 2011, in Millbrae. He reported that the cities of Burlingame, Millbrae and San Bruno have approved proceeding with Phase I of the merger. He added that there is a clearer understanding of the merger report since it was completed.

Mr. Constantouros reported that there are two phases of the fire merger with Phase I being recommended at the August 8, 2011 City Council meeting and Phase II to be a future item for discussion. He explained that Phase I would be a trial program and would consist of three separate fire departments (Central County, Millbrae and San Bruno Fire Departments) with two key components, the fire station combination plan and a single fire administration. Mr. Constantouros explained that the first key component of the shared fire station is that there is an axiom that the two most difficult things in local government are closing a fire station and opening a fire station. He stated that by opening the temporary, shared fire station, the City of Millbrae would be closing a fire station and the City of Burlingame would be closing a fire station and opening a fire station. He reported that Phase I would allow the four cities the opportunity to analyze response times, quality of service, cost-effectiveness, and staff support. Mr. Constantouros stated that the second key component to Phase I of the merger is the single administration which requires a transition plan and involves future savings from voluntary attrition with limited immediate savings, requires an operational oversight committee, and requires a need to fine tune the role and function of the Fire Chief.

Mr. Constantouros reported that possible elements of Phase II are the concept of the 50-30-20 financial sharing formula, the need to finalize the four-city governance model, the San Mateo County Grand Jury's report of the City of Millbrae's 83-days of liquidity, the City of Millbrae's fire tax sunset, the single unified labor agreement and the need to identify administrative costs. He stated that language provisions do not solve the City of Millbrae's financial issues and would require a multi-year financial plan and contingency plan. He further stated that the unions would be an asset in the merger process and they must work as a team to succeed. He reported that the administrative cost is a complex process with the unique characteristics of each city not easily resolvable. He added that the San Mateo/Burlingame Police Department full merger analysis showed a \$1.2 million administrative expense and that Burlingame's share left no significant savings.

Mr. Constantouros summarized that Phase I addresses fire operations and Phase II addresses non-fire operations and that the two phases are completely different with completely different context. He reported that Phase II elements have not been fully addressed at this time and that success in Phase I is not a predictor of success in Phase II. He added that agreeing to the Phase I study is not an automatic or implied endorsement of Phase II. He stated that "phase" is not an accurate term as it implies some direct connection. He added that the two phases separate fire capabilities from other factors. Mr. Constantouros stated that the CCFD Board thought that Phase I would be successful. He further stated that as far as being sustainable, success should be based on merits, not subject to changes in finances, capabilities of staff, or internal city issues.

Mr. Constantouros stated in conclusion that he recommended proceeding with the Phase I trial with no implied commitment to Phase II.

The Councilmembers, Mr. Constantouros and Chief Dornell further discussed the temporary fire station implementation and administrative consolidation plan.

Vice Mayor Benton, a member of the fire merger subcommittee, reviewed the key points earlier discussed on the proposed shared, temporary fire station and consolidated fire administration implementation plan and recommended moving ahead with the fire station merger and administration implementation plan.

Mayor Kasten asked if anyone in the audience wanted to comment.

Former Hillsborough Mayor Kitty Mullooly stated that in April of 1992, she joined the Hillsborough City Council and served as Fire Commissioner for 12 of her 16-½ years on the City Council. She further stated that in 1993, the Hillsborough City Council began considering a merger of the Hillsborough and Burlingame Fire Departments and in 1994, the Hillsborough City Council, after reviewing studies, voted not to go forward with the

merger as the City Council felt that the two departments were not strategically aligned and that it would not be an equal and fair merger.

Ms. Mullooly reported that by 1997, the Fire Departments in the County were considering a form of shared services by proposing a countywide dispatch center along with first responders consisting of three-person engine companies, each with a paramedic aboard. She stated that boundaries between fire departments and districts were to be dropped and that the Pre-Hospital Emergency Medical Services Joint Powers Authority was formed. She reported that at that time, Hillsborough FD was the only department in the County with two-person engine companies which meant that the Town would not only have to hire an additional nine firefighters, but would have to provide paramedic training for twelve of the firefighters. She further reported that the Town simply did not have the money, so the City Council asked members of the community to form a campaign committee to work on passing a Public Safety Tax. Ms. Mullooly stated that in June 1998, the Town's Public Safety Tax passed with no sunset clause, and by January 1, 1999, when the County Joint Powers Authority agreement was enacted, the Town was able to participate with the required personnel aboard the Town's three engine companies.

Ms. Mullooly reported that in 2003, Hillsborough and Burlingame decided on further shared services by sharing Battalion Chief coverage and fire prevention duties, and that in June of that year, the Town began to test the idea of consolidating Hillsborough Fire Station 31 with Burlingame Fire Station 34. She stated that in April 2004, eleven years after the first talks of merging the Hillsborough and Burlingame Fire Departments, the Central County Fire Department was formed. She added that both departments had made significant changes since 1993, and over the years both departments had participated in many types of shared services. She stated that by 2004, the Town believed the merger to be one that was fair and equitable.

Ms. Mullooly stated that the Central County Fire Department did not happen just because Hillsborough and Burlingame signed an agreement, but it was made possible, she believed, because of all the groundwork that had been laid over the years before the agreement was signed. She further stated that it took commitment, compromise, and hard work over time by all parties involved including Councilmembers, City Managers, and Finance Directors. She reported that much of the work landed on the very capable fire personnel as they had to work out the details of combining two similar but different departments with similar but different personalities, and with similar but different rules and regulations. She added that the CCFD needs to be commended for creating a fine, exemplary department, and one that others wish to join.

Ms. Mullooly stated that tonight the City Council is considering a proposal for two additional types of shared services for CCFD: a temporary fire station to be shared with Millbrae and an administrative consolidation plan with both Millbrae and San Bruno. She commented that if the cities approve this proposal, and if the studies show that service is not compromised, this could become a positive and permanent way of sharing services with these two cities. She stated that she is a strong believer in and supporter of shared services, but based on the Town's history, shared services come in all shapes and sizes. She further stated that a full merger is not the only option, and in some circumstances, it may be the wrong option if rushed into.

In conclusion, Ms. Mullooly stated that she thought the temporary fire station and the administrative consolidation plan made a lot of sense if, and only if, it is not assumed that a full merger is imminent. She further stated that in her opinion, CCFD should be nowhere near making a decision on merging with either of the two cities as there are far too many unanswered questions and too few real commitments from the other cities for a successful and long-lasting merger to occur.

Mayor Kasten thanked Ms. Mullooly.

Councilmember Krolik commented that she appreciated Vice Mayor Benton's and Ms. Mullooly's comments and that she was willing to proceed with moving forward with

Phase I of the Shared Temporary Fire Station and Consolidated Fire Administration Implementation Plan with no implied commitment to Phase II.

On motion of Vice Mayor Benton, seconded by Councilmember May, and unanimous on voice vote, the City Council approved moving forward with the Shared Temporary Fire Station and Consolidated Fire Administration Implementation Plan as per Phase I.

DISCUSSION:

13. UPDATE ON THE 2011 MEMORIAL DAY PARADE

Police Captain Mark O'Connor reported that the Town of Hillsborough held its first parade on May 31, 2010, as part of the Town's Centennial Celebration. He stated that the 2010 parade event was a huge success and that a parade was held again this year on May 30, 2011, in order to recognize and celebrate Memorial Day. Captain O'Connor reported that staging for the parade was held at Town Hall. He further reported that the parade route started on Floribunda Avenue, travelled up Sharon Avenue, Brookvale Road and Eucalyptus Avenue, and ended at North School. He stated that there were four parts to the Memorial Day Parade: the staging at Town Hall, road closures (detour route), parade operation and finally the destination. Captain O'Connor provided several photos of the 2011 Memorial Day Parade taken by Police Department Executive Assistant LeAnn Thornton.

Captain O'Connor reviewed the fiscal impact of the Memorial Day Parade. He reported that there were six volunteers on the volunteer committee with an additional 30 volunteers for intersection control. He stated that the food trucks were a big success offering a diverse selection of food over last year's hot dogs and that the carnival games with the book drive prizes were a lot of fun for the kids. He reported that some of the non-recurring costs included the reused banners, pennants and signage. He stated that this year, the Hillsborough Police Department was assisted by 25 police academy recruits and the Town was able to use two Office of Emergency Service transportation vans and electronic message boards. He further stated that several of the Town's staff once again participated in the parade with no additional compensation for their work.

Captain O'Connor reported that the turnout for this year's parade was lighter than last year, but still had approximately 2,000 attendees. He stated that the assistance provided by the 25 police academy recruits from the College of San Mateo Basic Police Academy, who assisted with parking, traffic control and staging at Town Hall at no cost to the Town, saved the Town approximately \$7,800 in overtime costs. He stated that the total cost for a future parade would be \$12,000 to \$14,000 without the help of the police academy recruits.

Parade Co-Chair/Councilmember Krolik thanked Captain O'Connor and Parade Co-Chair Lilli Rey for all their work with the Second Annual Memorial Day Parade. She stated that the Parade Committee tried to be more maintainable this year by having the various food trucks and hiring a company to handle the carnival games which were fully paid for by the proceeds from the sale of game tickets. She reported that she received lots of compliments about the parade being a wonderful community event.

The Councilmembers and Captain O'Connor further discussed the parade. Mayor Kasten stated that the Hillsborough Memorial Day Parade is a fabulous community event and, given the current state of the economy recommended raising funds so that the event would not cost the Town any money or increase its budget. Councilmember Krolik stated that a fundraising letter could be sent to Hillsborough residents and to companies like Recology to support the parade in the future, but she expressed concerns about the reaction of other local non-profits such as Hillsborough Schools Foundation and Hillsborough Beautification Foundation. She stated that she would first talk to Hillsborough Recreation about support for the event.

Mayor Kasten thanked Captain O'Connor for the update and stated that there is certainly enthusiasm for the event, and that the Town must go forward by planning to raise funds for the parade accordingly.

14. UPDATE ON REFUSE RATE SETTING PROCESS

Finance Director Edna Masbad provided a Power Point presentation with an update on the Town of Hillsborough garbage and collection rates. She stated that a collection of statistics was recently provided by both the South Bayside Waste Management Authority (SBWMA) and Recology which could affect the 2012 rate setting process. She reported that the data being presented has the caveat that many of them are projections and most likely will change.

Ms. Masbad explained that the refuse and recycling rates consist of several components, including Recology's collection costs which are broken down into residential, commercial and costs attributable to city facilities; disposal costs that are paid to the SBWMA, franchise fees paid to the Town with a current rate of 10%; and other costs that the Town imposes, including the costs of Assembly Bill 939 compliance and other contract management costs. She stated that in order to help bring down refuse rates, it was recommended that the Town's staff absorb the costs of the Recycling Coordinator passed onto the contractor.

Ms. Masbad reviewed the 2011 rate requirements and reported that the SBWMA recommended a rate adjustment for 2011 that covers a revenue shortfall of \$619,000 that equated to around 26%, a projected loss of revenues from the can migration of approximately \$75,000 that equated to around 3%, and that the Allied contract had a balancing account which was basically the difference between its costs and the revenues collected. She reported that except for two cities in the region, all the other SBWMA cities have negative balancing accounts with Allied that need to be settled by the end of 2012. She stated that the contract calls for payment of 25% of this balance by 2011 which represents another 3.3%, and she stated that these three components add up to 32.1% for which the SBWMA recommended increasing the Town's rates. Ms. Masbad stated that the Town, however, adopted a 25% rate increase effective March 1, 2011. She further stated that at the outset, the Town will be short around 7.1% that needs to be incorporated in future rates.

Ms. Masbad presented the ten-year history for the Allied balancing account with a chart. She noted that the Town has effectively utilized the \$232,000 that it had in 2001, and is projected to have a negative balance of \$335,000 at the end of 2010. She explained that the chart shows that perhaps the Town should have adopted rates that would have given enough revenues to cover operating costs, especially in year 2010 when the Town did not adopt any rate increase, and that the same is true for years 2006 and 2008.

Ms. Masbad presented the can migration with a slide comparing the number of accounts in each service level (20, 32, 64, and 96 gallon) between July 2010 and 2011. She noted that there is an 80% increase in the 20-gallon can service level, and altogether it is now projected that the revenue loss from can migration would be \$178,000, or 7.4% versus the original projection of \$75,000 or 3.1%. She added that Hillsborough's 20-gallon can migration is 80% compared to the SBWMA average 20-gallon migration of 31%.

Ms. Masbad presented the selected cost variances for 2010 to 2011 with a slide showing the rate increases. She reported that the SBWMA recommended approximately 25% for an increase in costs. She stated that Recology has furnished data showing the expense line items where the largest variances occur, which include the fact that labor increased by 2%, depreciation by 9%, maintenance and fuel 4%, interest expense 6% and profit 2%. She noted that the largest increases are attributable to the new assets (vehicle and others) together with the corresponding borrowing costs and that the five items comprise 23% of the rate requirement. Ms. Masbad reported that rates would have to increase by 25% if all these projections materialize, subject to the City Council's approval of the utilization of the Ox Mountain settlement.

Ms. Masbad provided a slide presenting a comparison of cost and revenues of each service level in case the Town would like to adjust the rate structure to more effectively match revenues to cost. She also provided a slide comparing the annual residential cost per can in each city noting that Hillsborough has the highest compared to the average cost. Ms. Masbad's last slide presented the proposed schedule for the rate setting process.

The City Councilmembers and Ms. Masbad further discussed the garbage and collection rates.

Vice Mayor Benton stated that if residents are migrating to the 20-gallon garbage can more recyclable material should be generating more revenue. He requested the report on the revenue from recycled materials for the years 2010 and 2011. Ms. Masbad replied that she would provide the report on the revenue from recycled materials for the years 2010 and 2011. Vice Mayor Benton also requested information for the collection of green waste materials. Ms. Masbad replied that she would provide information for the collection of green waste materials.

Mayor Kasten stated that he had a terrible feeling about raising collection rates and stated that he would like to see all the components of the collection costs and what Recology proposed in the agreement to better understand why there is need to increase collection rates. Ms. Masbad replied that she would provide information on the collection cost components. He also requested information on what other cities are paying for collection costs. Ms. Masbad replied that she would provide information on what other cities are paying for collection costs.

Vice Mayor Benton stated that the missing link is the SBWMA costs as that may be where the money is going and wanted to see a report on the SBWMA's fees. Ms. Masbad replied that the 25% rate increase adopted in 2011 did not cover the can migration and there was a loss of revenue because the rate increase was not adopted soon enough resulting in a negative balance. Vice Mayor Benton recommended that the garbage and collection rate increase go before the Financial Advisory Committee (FAC) so that the FAC could search for the facts.

Mayor Kasten thanked Ms. Masbad. Mayor Kasten stated that the Town needs more transparency from the SBWMA and Recology to see what the cost variances are so that the Town is able to better address the issue.

PUBLIC COMMENT:

There were no public comments.

CITY COUNCIL ITEMS:

Councilmember Krolik announced that the Hillsborough Concours d'Elegance will be held on Sunday, August 28, 2011.

Mayor Kasten announced that the League of California Cities Annual Conference will be held Wednesday, September 21 through Friday, September 23, 2011.

ADJOURN:

Mayor Kasten adjourned the meeting at 9:15 p.m.