

**MINUTES**  
**REGULAR CITY COUNCIL MEETING**  
**MONDAY, JUNE 11, 2012**

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, Krolik, Chuang, May  
Absent: Benton

**MINUTES:** The minutes of the May 14, 2012 City Council meeting were approved as submitted.

**PRESENTATIONS:**

- Police Department Executive Assistant LeAnn Thornton thanked the City Council for their support of the Operation Eagle Visit that was held on Friday, May 25, 2012, through Monday, May 28, 2012, to mark the 40<sup>th</sup> Anniversary of the first Welcome Home Parade in the City of San Mateo to honor the men and women who have served in harm's way. Ms. Thornton reviewed and provided slides of the various events for the Operation Eagle Visit. Chief Don Dornell of the Central County Fire Department thanked Mayor Kasten for his comments at the formal recognition banquet. Chief Dornell reported that Congresswoman Jackie Speier presented a Congressional Record at the banquet and that Senator Barbara Boxer recognized the City of San Mateo, City of Burlingame, and Town of Hillsborough for the Operation Eagle Visit by sending a letter. Chief Dornell presented challenge coins to the Councilmembers from the Operation Eagle Visit Committee. Chief Dornell thanked Ms. Thornton for giving so much time and effort to the Operation Eagle Visit.
- Mayor Kasten recognized Police Department Executive Assistant LeAnn Thornton with a Resolution of Appreciation for her dedicated public service to the Town of Hillsborough's Adopt-A-Unit program and the USO's Families of the Fallen Response Team. Ms. Thornton thanked Mayor Kasten.

**CONSENT CALENDAR:**

Item 2, 3 and 5 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, 4, and 6 – 11 were approved.

1. MONTHLY CLAIMS: MAY 1 THROUGH MAY 31, 2012

The monthly claims for the month of May 2012 in the amount of \$3,656,755.27 were approved as submitted.

2. RESOLUTION ESTABLISHING THE TOWN OF HILLSBOROUGH'S APPROPRIATIONS LIMIT FOR FISCAL YEAR 2012-2013

Mayor Kasten stated that he removed item 2 because it required a roll call vote. The resolution establishing the appropriations limit for fiscal year 2012-2013 was adopted with an unanimous roll call vote.

3. RESOLUTION ADOPTING ASSET ALLOCATION STRATEGY 1 FOR THE TOWN'S OTHER POST-EMPLOYMENT BENEFIT (OPEB) TRUST ACCOUNT WITH CALIFORNIA EMPLOYER'S RETIREE BENEFIT TRUST (CERBT)

Mayor Kasten asked why the Financial Advisory Committee (FAC) chose asset allocation Strategy 1, which was the most aggressive of the three strategies for the Town's Other Post-Employment Benefit trust account with California Employer's Retiree Benefit Trust, as the FAC's investment strategy in the past has been to choose a more conservative strategy. Ms. Masbad replied that she could not explain why the FAC chose the different strategies for the trust fund and the Town's pool other than the trust fund has a longer horizon while the Town's pool should have a shorter duration.

The Councilmembers, Ms. Masbad, City Attorney Norm Book and City Manager Anthony Constantouros further discussed the asset allocation strategy selection.

Mr. Constantouros recommended that Mayor Kasten meet with FAC representatives to discuss the FAC's recommendation to select Strategy 1, and if Mayor Kasten then thinks another strategy should be considered, a Special Meeting of the City Council will be held before June 30, 2012, to elect an asset allocation strategy.

On motion of Councilmember Krolik, seconded by Councilmember May, and unanimous on voice vote, the resolution adopting asset allocation Strategy 1 for the Town's Other Post-Employment Benefit (OPEB) trust account with California Employer's Retiree Benefit Trust (CERBT) was adopted.

4. RESOLUTION CALLING THE GENERAL MUNICIPAL ELECTION OF THE TOWN OF HILLSBOROUGH AND DIRECTING THE CITY CLERK TO PERFORM ALL ACTIONS REQUIRED OF THE CITY ELECTIONS OFFICIAL OTHER THAN THOSE TO BE PERFORMED BY THE COUNTY

The resolution calling the general municipal election of the Town of Hillsborough and directing the City Clerk to perform all actions required of the City Elections Official other than those to be performed by the County was adopted.

5. RESOLUTION REQUESTING THE CONSOLIDATION OF THE CITY ELECTION WITH THE STATEWIDE GENERAL ELECTION

Mayor Kasten stated that item 5 was removed because the resolution was changed due to a revision in a section of the California Election Code which changed the end of the nomination period to the close of business, which for the Town of Hillsborough would be 12:30 p.m. on Friday, August 10, 2012, instead of 5:00 p.m.

The amended resolution requesting the consolidation of the City election with the statewide election was adopted.

6. RESOLUTION REQUESTING THE COUNTY TO CANVASS THE RETURNS OF THE TOWN OF HILLSBOROUGH GENERAL MUNICIPAL ELECTION AND AUTHORIZING THE EXECUTION OF THE NECESSARY SERVICE AGREEMENT WITH THE COUNTY

The resolution requesting the County to canvass the returns of the Town of Hillsborough general municipal election and authorizing the execution of the necessary service agreement with the County was adopted.

7. RESOLUTION AUTHORIZING THE REPLACEMENT OF THE HILLSBOROUGH POLICE ALARM MONITORING SYSTEM

The resolution authorizing the purchase and installation of the replacement alarm components and related system software upgrades from Carter Brothers Fire and Life Safety Alarm Company for a cost of \$18,370 funded by the SLESF grant, and authorizing a 10% contingency in the amount of \$1,837 for additional unforeseen expenses was adopted.

8. RESOLUTION AUTHORIZING FUNDS FOR ADDITIONAL DESIGN WORK RELATED TO TRENCH STABILIZATION FOR CAROLLO ENGINEERS FOR THE CRYSTAL SPRINGS / EL CERRITO TRUNK SEWER REPLACEMENT PHASE II PROJECT

The resolution authorizing the amendment to the consulting contract for the completion of the design by Carollo Engineers for the Crystal Springs / El Cerrito Trunk Sewer Replacement Phase II Project in an amount not to exceed \$78,143, allocating the same from the Sewer Capital Improvement Fund – Crystal Springs / El Cerrito Trunk

Sewer Replacement Phase II, and authorizing the City Manager to sign the contract on behalf of the Town was adopted.

9. RESOLUTION DEDICATING A SOURCE OF REVENUE FOR THE TOWN'S CLEAN WATER STATE REVOLVING FUND LOAN AGREEMENT WITH THE STATE WATER RESOURCES CONTROL BOARD

The resolution dedicating the Town's sewer rate fees as the source of revenue for repayment for the Clean Water State Revolving Fund Program financing for the Town's Crystal Springs / El Cerrito Phase III Sewer Relief Line Project was adopted.

10. RESOLUTION TO COMPLY WITH TREASURY REGULATION SECTIONS 1.150-2 FOR THE CLEAN WATER STATE REVOLVING FUND LOAN FOR THE CRYSTAL SPRINGS / EL CERRITO PHASE III SEWER RELIEF LINE PROJECT

The resolution to comply with Treasury Regulation Sections 1.150-2 for the Crystal Springs / El Cerrito Phase III Sewer Relief Line Project was adopted.

11. RESOLUTION AMENDING CHAPTER 8 OF THE TOWN OF HILLSBOROUGH RESIDENTIAL DESIGN GUIDELINES ADOPTED ON AUGUST 9, 2004, REGARDING ROOFS

The resolution amending Chapter 8 of the Town of Hillsborough Design Guidelines adopted on August 9, 2004, was adopted.

**INFORMATIONAL:**

12. GENERAL LEGISLATIVE UPDATE FROM SENATOR LELAND YEE

Mayor Kasten announced that Senator Leland Yee was unfortunately not able to attend the meeting because he had to remain in Sacramento working on the State's budget.

**PUBLIC HEARING:**

13. FUNDRAISING EVENT PERMIT APPLICATION 12-04 FOR THE SAN MATEO ARBORETUM SOCIETY'S 37TH ANNUAL HILLSBOROUGH / SAN MATEO GARDEN TOUR

City Clerk Miyuki Yokoyama stated that the San Mateo Arboretum Society submitted a fundraising application for their 37<sup>th</sup> Annual Hillsborough / San Mateo Garden Tour scheduled for Saturday, September 8, 2012, from 10:00 a.m. to 4:00 p.m. at 1055 Black Mountain Road, 843 Chiltern Road and Centennial Park at 1600 Floribunda Avenue.

Ms. Yokoyama stated that public notices have been sent to homeowners located within a 500-foot radius of the three locations and 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.

Ron Vick of the San Mateo Arboretum Society thanked the City Council for their support and stated that he enjoyed working with Town staff.

The public hearing was closed.

On motion of Councilmember Krolik, seconded by Councilmember May, and unanimous on voice vote, Fundraising Event Permit Application 12-04 for the San Mateo Arboretum Society's 37<sup>th</sup> Annual Hillsborough/San Mateo Garden Tour on

Saturday, September 8, 2012, subject to the conditions recommended by staff was approved.

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

Human Resources Specialist Kristin Armbruster stated that the Unrepresented, Public Works Supervisors, Public Works / Clerical and non-safety members of the Police Units voted to amend the Miscellaneous contract with CalPERS to tier the retirement benefits for new hires. She reported that the new benefit will be the 2% @ 60 formula with a final three-year average for compensation and that the Town will be the fifth city in San Mateo County to move to this formula. She stated that Brisbane, Menlo Park, Pacifica and Redwood City use the 2% @ 60 formula.

Ms. Armbruster explained that to amend the Miscellaneous contract, CalPERS requires the Town to adopt an ordinance authorizing the amendment. She stated that this agenda item was introduced at the May 14, 2012 City Council meeting, and will be effective July 2, 2012. She added that the contract amendment will result in a payroll savings of 7.308% for new hires.

Councilmember Krolik thanked Ms. Armbruster for her hard work. Ms. Armbruster thanked the Town's employees for doing what they could to help the Town.

Mayor Kasten thanked Ms. Armbruster and all of the Town's employees.

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

On motion of Councilmember May, seconded by Councilmember Chuang, and unanimous on voice vote, the ordinance authorizing the amendment to the contract between CalPERS and the City Council of the Town of Hillsborough was adopted.

15. ORDINANCE AMENDING CHAPTER 13.32 OF THE HILLSBOROUGH MUNICIPAL CODE AND ADDING A NEW CHAPTER 13.33 REGARDING PRIVATE SEWER LATERALS – ADOPTION

Engineering Consultant Dennis Diemer provided a Power Point presentation on the private sewer lateral inspection and repair ordinance. He stated that the ordinance would add Chapter 13.33 and amend Chapter 13.32 of the Hillsborough Municipal Code, effective July 2012. He explained that the plan would be to initiate smoke testing of the initial three priority basins (Chateau, Town Hall and Willow) this summer for a duration of four to five weeks. He reported that the issuance of the request for proposal is scheduled for June 15, 2012, City Council award scheduled for August 13, 2012, and the smoke testing notice to proceed scheduled for August 27, 2012. Mr. Diemer explained that the Smoke Testing Pilot Study would smoke test four to six representative homes in the Chateau Basin to confirm adequacy of equipment and data collection and would take one day sometime during the week of June 18, 2012.

Mr. Diemer reported that public outreach will include two mailers to residents in the priority basins, a message board on the street, reverse 911 calls, and information posted on the Town's website.

Mr. Diemer stated that video inspection of private sewer laterals will be conducted in the Chateau Basin following completion of the smoke testing, which would allow for the comprehensive rehabilitation of public sewer mains and private sewer laterals in the Chateau Basin between July 2013 and July 2015.

Mr. Diemer reported that the Regional Water Quality Control Board/Baykeeper settlement agreements require a Supplemental Environmental Project (SEP), including a \$225,000 Private Sewer Inspection and Replacement Project, additional \$25,000

funding for a revolving low interest loan program, and completion within five years or by January 2014. Mr. Diemer reviewed the budget and status of the SEP and explained that the current SEP project would be considered complete with adoption of the ordinance with the “Lessons Learned” incorporated into Private Sewer Lateral Ordinance and Sewer Repair Program. He reported that the remaining funds would be re-budgeted for the smoke testing and video inspection in the priority basins. He stated that there would be a follow up meeting with Baykeeper to provide a status update.

The Councilmembers, Mr. Diemer and Interim Public Works Director Matt O’Connor further discussed the private sewer lateral inspection and repair ordinance.

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

On motion of Councilmember May, seconded by Councilmember Chuang, and unanimous on voice vote, the ordinance amending Chapter 13.32 of the Hillsborough Municipal Code and adding a new Chapter 13.33 regarding private sewer laterals was adopted.

Mayor Kasten thanked Mr. Diemer for the great job. Mr. Diemer recognized the Public Works and CSG staff for their great work.

#### **OLD BUSINESS:**

16. RESOLUTION AUTHORIZING THE MAYOR TO ENTER INTO AN AGREEMENT WITH CPS HR CONSULTING FOR RECRUITING SERVICES

Human Resources Specialist Kristin Armbruster stated that the subcommittee of the City Council interviewed three recruiting firms to evaluate services available in the recruitment of the next City Manager. She reported that Pam Derby of CPS HR Consulting was selected by the subcommittee.

Mayor Kasten stated that he was on the subcommittee that interviewed the three recruiters and that CPS HR Consulting was chosen based on the strength of recommendations received.

The Councilmembers further discussed the recruitment process.

On motion of Councilmember May, seconded by Councilmember Chuang, and unanimous on voice vote, the resolution authorizing the Mayor to enter into an agreement with CPS HR Consulting for recruiting services was adopted.

Mayor Kasten thanked Ms. Armbruster.

#### **NEW BUSINESS:**

17. RESOLUTION AUTHORIZING PAYMENT OF THE UNFUNDED ACTUARIAL ACCRUED LIABILITY (UAAL) OF THE TOWN OF HILLSBOROUGH POLICE AND MISCELLANEOUS PLANS

Finance Director Edna Masbad provided a Power Point presentation on the CalPERS side funds pay off. She explained that the first component of the employer contribution rates is the normal cost which is the amount being earned by the current employees with each paycheck necessary to pay future retirement benefits based on certain assumptions. She further stated that the second component is the amortization of the side fund covering the unfunded accrued actuarial liability (UAAL), which is the amount by which the pension fund is short of the amount that will be necessary without further payments to pay benefits already earned by current and former employees. She added that the UAAL is actuarially determined using the same set of assumptions.

Ms. Masbad stated that deviations from assumptions as to retirement age, mortality, projected salary increases attributed to inflation, across-the-board raises and merit raises, cost-of-living adjustments, etc. contributed to the side funds as well as changes in retirement benefits and investment returns. Ms. Masbad explained that in the case of the Town, a major portion of UAAL was attributed to increases in retirement benefits, such as the Police Plan to 3% @ 50 effective January 2005, Miscellaneous Plan to 3% @ 60 effective July 2005, and Fire Plan to 3% @ 55 effective July 2007.

Ms. Masbad reported that the UAAL is amortized over a period of time and is assigned an interest rate, or carrying cost, which is usually the same as the assumed rate of investment return. She added that currently CalPERS is charging a 7.75% interest rate. Ms. Masbad reviewed the Town's various side funds as of June 30, 2012. She explained the interest cost savings and recommended paying off the UAAL for the Police in the amount of \$3,157,272 and the Miscellaneous in the amount of \$3,839,341 by using the Town's funds which are earning less than .25%.

Ms. Masbad provided a chart showing the computation of savings and reviewed the funding recommendation for the \$7,000,000. She stated that the first \$1,000,000 will come from the fiscal year 2012-2013 approved budget for the payment of the side funds. She reported that the funding recommendation was presented to the Financial Advisory Committee at its regular meeting held on May 29, 2012, and was approved for recommendation to the City Council. She recommended that the City Council approve the resolution authorizing payment of the UAAL for the Police and Miscellaneous Plans for \$3,157,272 and \$3,839,341 respectively, before June 30, 2012; authorize advances from the General Fund and the Asset Replacement Fund reserves in the amount of \$6,000,000 to be paid back in six annual equal installments starting with fiscal year 2013-2014; and authorize annual appropriations of \$1,000,000 for the next six years to pay off the advance to be included in the annual budget for personnel costs in the General, Water and Sewer Funds.

The Councilmembers and Ms. Masbad further discussed the payment of the UAAL.

On motion of Councilmember Krolik, seconded by Councilmember May, and unanimous on voice vote, the resolution authorizing payment of the unfunded actuarial accrued liability (UAAL) of the Town of Hillsborough Police and Miscellaneous Plans in the amount of \$3,157,272 and \$3,839,341 respectively, authorizing an advance from the General Fund and the Asset Replacement Fund reserves in the amount of \$6,000,000 to be paid back in six annual equal installments to pay off the UAAL, and authorizing annual appropriations of \$1,000,000 for the next six years to pay off the advance to be included in the annual budget for the General, Water and Sewer Funds was approved.

Mayor Kasten thanked Ms. Masbad and the FAC.

### **CITY COUNCIL ITEMS:**

Councilmember Krolik announced that a presentation will be made at the July 9, 2012 City Council meeting about the Town's Memorial Day Parade which was held on May, 28, 2012. She thanked Town staff for all their work in helping to make it a great day and a great event. She reported that \$6,000 was raised to fund the parade this year. Mayor Kasten thanked Councilmember Krolik and Hillsborough resident Lilli Rey for co-chairing the parade and making it a successful event.

Councilmember May announced that he attended the San Francisco International Airport Community Roundtable meeting and reported that there has been an increase in airplane noise in the Towns of Woodside, Atherton, and Portola Valley. He reported that air traffic has increased 12% each year for the past four years. He commented that a communication method should be created to notify residents when flight patterns change forcing planes to fly over the Town.

Mayor Kasten announced that he attended the memorial service for former City of San Mateo Mayor John Lee on Sunday, June 3, 2012.

Mayor Kasten asked if there would be information provided to residents about the El Cerrito / Crystal Springs Sewer Project. Interim Public Works Director Matt O'Connor replied that information will be provided on a message board for residents and commuters in the area of the project.

Mayor Kasten announced that the Council of Cities Dinner/Meeting will be held in the City of Brisbane on Friday, June 22, 2012. Councilmember Chuang announced that she will be attending.

**ADJOURN:**

Mayor Kasten adjourned the meeting at 7:44 p.m.