

SAN MATEO



LOCAL AGENCY FORMATION COMMISSION

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October 18, 2023

To: LAFCo Commissioners

From: Rob Bartoli, Executive Officer
Sofia Recalde, Management Analyst

Subject: Consideration of Final Municipal Service Review for the Town of Hillsborough

Summary and Background

LAFCo prepared comprehensive Sphere of Influence (SOI) studies and adopted SOIs for cities and special districts in 1985 and has subsequently reviewed and updated spheres on a three-year cycle. Updates focused on changes in service demand within the boundaries of cities and special districts. After enactment of the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) and the new requirement to prepare MSRs in conjunction with or prior to SOI updates, LAFCo began the process of preparing Municipal Service Review (MSR) and SOI updates in late 2003. This Municipal Service Review is the first MSR for the Town of Hillsborough.

The Town of Hillsborough was incorporated on May 5, 1910. As of 2020, the population of Hillsborough is 11,387. Hillsborough has an area of 6.23 miles and is bordered by Burlingame and Burlingame Hills to the north, Burlingame and San Mateo to the east, Highway 280 to the west, and San Mateo and unincorporated Highlands-Baywood Park to the south. The Town has three public parks and owns 259 acres of open space. Its SOI is coterminous with the boundaries of the Town, and there are no recommended changes to the SOI designation.

The Town provides the following municipal services: law enforcement, parks and recreation, library, street maintenance, lighting, water, wastewater collection and storm drainage and flood control. Fire protection and emergency medical service is provided by the Central County Fire Department (CCFD) through a Joint Powers Agreement with the City of Burlingame.

Similar to other cities in San Mateo County, Hillsborough's revenue was impacted by the COVID-19 pandemic. However, the Town has been able to prepare balanced budgets and draw from the Town's health reserve when needed. The Town also has implemented several

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strategies in recent years to mitigate long-term costs of pensions and other post-employment benefits (OPEB).

Updates to the Final Circulation MSR

At the September 20, 2023 LAFCo meeting, Chair Draper requested that staff inquire with the Town how a potential loss of excess Educational Revenue Augmentation Fund (ERAF) revenue would impact the Town's budget. The Town's response, which has been incorporated into the final MSR in red text, was that excess ERAF is used to fund the Town's ongoing operations and that reduction or loss of this revenue source would impact operations. The Town is actively engaged with the County and state legislators to maintain excess ERAF.

LAFCo staff held a virtual community workshop on October 3rd to review and receive feedback on the draft circulation. Staff did not receive any comments during the workshop that impacted the recommendations in the final MSR, not any public comment during the public comment period that ended on October 13.

Current Key Issues

Key issues identified in compiling information on the Town of Hillsborough include the following:

- The Central County Fire Department (which provides service to Hillsborough, Burlingame, and Millbrae) recently published a Community Risk Assessment/Standards of Cover & Deployment Analysis that examined the department's response performance, operations, facilities and apparatus, organizational structure, governance and mutual cooperation. The Analysis made several recommendations to plan for future facility construction and capital facility and apparatus improvements that will require significant funding.
- Although the Town is financially healthy and is anticipated to be able to meet service demands of foreseeable growth with planned infrastructure improvements, capital funding for storm drain improvements are currently coming out of the general fund revenue.
- LAFCo is not aware of any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve. The Town is anticipated to be able to meet service demands of foreseeable growth with project infrastructure improvements and other mitigation measures.

Proposed MSR Recommendations

As required by State law, there are seven areas of determination, including local policies as set forth in Section 56430.

1. Growth and population projections for the affected area.

2. The location and characteristics of any disadvantaged unincorporated communities¹ within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.
 - a. Water Resiliency and Climate Change
 - b. Impact of Natural Hazards and Mitigation Planning

For the Circulation Draft, LAFCo has the following determinations and recommendations:

1. Growth and Population Determination

As of 2020 the population of Hillsborough was 11,387 and had 4,091 housing units. The Regional Housing Needs Assessment (RHNA) allocation, prepared by the Association of Bay Area Governments (ABAG), for 2023-2031 requires the Town to plan for the development of at least 554 new housing units by 2031. The Town will amend its General Plan, last adopted in 2005 and updated in 2014 to accommodate the 2014-2022 Housing Element, to ensure that its goals, policies and programs are consistent with the Housing Element once it is approved by the Housing and Community Development Agency.

2. Disadvantaged Unincorporated Communities Determination

While the Town does provide water, sewer, and structural fire protection, there are several properties in the unincorporated Burlingame Hills area that receive water service from the Town. However, the Town's SOI is coterminous with its boundaries and, therefore, does not have any disadvantaged unincorporated communities within or contiguous to the SOI.

3. Capacity and Adequacy of Public Facilities and Services Determination and Recommendations

LAFCo is not aware of any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve. The Town is anticipated to be able to meet most service demands of foreseeable growth with project infrastructure improvements and other mitigation measures.

¹ "Disadvantaged community" means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. This area of determination does not apply to the study area.

Although the Town's guaranteed water supply of 4,858 acre-feet (AF) per year during normal water years through 2045 exceeds its projected water demands in the 2021 urban water management plan, the projected water demands assumes minimal population growth. LAFCo staff recommends that the Town update its urban water management plan (UMWP) to align with planned growth as directed by the recent housing element and the RHNA allocation.

The Town acknowledges that its infrastructure is aging. The Town's annual 5-year Capital Improvement Plan includes the critical capital improvements, replacements and repairs to ensure the Town's infrastructure and facilities are adequate to meet future needs of its residents. Capital improvements to the water and sewer systems are funded through the respective enterprise funds. Storm drain improvements are funded by general fund capital transfers.

Fire protection services are provided by the Central County Fire Department, a Joint Powers Agreement (JPA) between the Town of Hillsborough and City of Burlingame. In March 2023, CCFD published a Community Risk Assessment/Standards of Care & Deployment Analysis that made several recommendations, including the development of a capital improvement plan for fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.

Recommendation -

1. The Town should partner with the City of Burlingame to review the recommendations in the CCFD Community Risk Assessment to prepare a capital improvement plan and CIP budget for fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.
2. Hillsborough's UMWP was last updated in 2021. The Town should align the growth projections in the UMWP with the RHNA growth projections and the 2023-2031 Housing Element in its next UMWP update.
3. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements. LAFCo staff supports the Town's plan to conduct an analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

4. Financial Ability Determination and Recommendations

The California State Auditor has a risk indicator for the fiscal health of California cities. In FY 20-21, the Town of Hillsborough had a score of 85.7 out of 100 points (higher is better) and on a rating scale of "low", "moderate", and "high" risk, the Town of Hillsborough is classified as "low risk". OPEB funding was the Town's key financial issue.

The Town adopts an annual budget and contracts with an independent certified public accountant to prepare the Town's annual audit. In its most recent audit for the year ending on June 30, 2022, the audit noted that the Town's total net position increased 11% to \$97M and its general fund balance also increased to \$31.8M, inclusive of \$15.7M for reserves. Although long-term liabilities increased \$3M from the prior year, it decreased its net pension liability by \$12.2M that same year.

The Town's Finance Department updates its Master Fee schedule annually and conducts rate studies every few years. The Town has not experienced challenges in raising sewer rates and fees, but it has faced two legal challenges in the past decade when attempting to raise water rates and fees. This included a lawsuit regarding water rates, Prop. 218 rate setting, and drought penalties for water customers that exceeded a certain amount of water use. The Town and ratepayers agreed to a negotiated settlement that included customer refunds for those that paid drought water use penalties. The Town recently adopted a new water rate structure that is currently being reviewed by the courts to establish the rates and validate this action.

For the fiscal year ending June 30, 2022, the Town had total long-term debt outstanding of \$52.4 million, excluding compensated absences, pension and OPEB liabilities. In addition, the Town contributed \$3,848,454 to CalPERS plans and employees contributed \$1,002,738.

The Town has implemented several strategies over the years to mitigate the long-term cost of pensions including paying off \$9.9 million of side funded liabilities; requiring employees to pay a share of the employer's contribution; implementing an additional tier with a lower pension formula for miscellaneous plan employees; replacing employees who have retired with employees who are on the PEPR plan where applicable; and adopting and funding a \$115 pension trust.

Recommendation –

1. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements. LAFCo staff supports the Town's plan to conduct an analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

5. Shared Service and Facilities Determination and Recommendations

The Town of Hillsborough partners with other organizations to share project costs and services with other governments. It shares services through being a member of several JPAs, including with the Central County Fire Department and South Bayside Waste Management Authorities. LAFCo has not identified additional opportunities for the Town to share services or facilities with neighboring overlapping organizations.

6. Accountability, Structure, and Efficiencies Determination

The Town of Hillsborough complies with disclosure laws and the Brown Act and ensures that public meetings are accessible and well publicized. Adopted budgets and annual budgets are available on the Town Website. The Town did not report any issues with staff turnover or operational efficiencies. There are no recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency.

7. Other Issues Determinations and Recommendations

Although not a service delivery issue, there are several parcels in the El Cerrito Avenue, Ranelagh Road, and Melrose Court that are split by the Town of Hillsborough – City of San Mateo city boundary line. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows parcel

boundaries. The Town is engaged in activities to address natural hazard mitigation and sea level rise for residents, businesses, and infrastructure.

Recommendations -

1. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows the above-mentioned parcel boundaries that are currently split by the Hillsborough-San Mateo boundary line.
2. LAFCo encourages the City to continue its work in the areas of natural hazard mitigation and sea level rise and continue to coordinate with partner agencies.

Sphere of Influence Determination

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425(e)):

- 1. The present and planned land uses in the area, including agricultural and open-space lands.**

Hillsborough's current SOI is coterminous with the Town's boundaries. There are 259 acres of open space lands and no agricultural lands in the study area.

- 2. The present and probable need for public facilities and services in the area.**

The Town's facilities and services meet the current need of the area, and the Town anticipates that it will be able to adequately provide facilities and services for the projected growth that may occur within its boundaries.

- 3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.**

The Town is anticipated to be able to meet service demands of foreseeable growth with project infrastructure improvements and other mitigation measures. The Town routinely adopts a CIP for its infrastructure and facilities.

- 4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.**

The Town's boundaries are coterminous with its SOI, and there are no social or economic communities of interest in the area.

- 5. For an update of a SOI of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.**

No change to the Sphere of Influence for the Town of Hillsborough is being proposed at this time.

Public/Agency Involvement

The primary source of information used in this MSR has been information collected from agency staff and adopted plans, budget, reports, policies, etc. On August 30, 2023 a Notice of

Public Hearing for the Draft MSR was released by LAFCo and published in the San Mateo County Times. In addition, notices were sent to every “affected agency”, meaning all other agencies and school districts with overlapping service areas.

The public comment period to receive written comments from the public and stakeholders commenced on September 20, 2023 after Commission approval of the circulation draft MSR and ended on October 13, 2023. No written comments were received from the public or stakeholders. In addition, notices were sent to every “affected agency”, meaning all other agencies and school districts with overlapping service areas. Finally, LAFCo staff held a virtual workshop for the public during the comment period for both City of Burlingame and Town of Hillsborough MSRs on October 3, 2023.

Environmental Review/CEQA

The MSR is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for the of basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The MSR collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The MSR is also exempt from CEQA under the section 15061(b)(3), the commonsense provision, which state that CEQA applies only to projects which have the potential for causing a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA.

The MSR and SOI update will not have a significant effect on the environment as there are no land use changes associated with the documents.

Recommendation

1. Open the public hearing and accept public comment;
2. Accept the Final Municipal Service Review for the Town of Hillsborough; and
3. Adopt the Municipal Service Review Determinations and Recommendations contained in this report.

Attachment

- A. Final Municipal Service Review for the Town of Hillsborough
- B. Resolution No. 1310 for the Town of Hillsborough Municipal Service Review and Sphere of Influence



**Municipal Service Review and Sphere of Influence
Review for the Town of Hillsborough**

Final Draft

Released October 18, 2023

Municipal Service Review and Sphere of Influence Review for the Town of Hillsborough

SUBJECT AGENCY:

Town of Hillsborough

1600 Floribunda Ave.

Hillsborough, CA 94010

Contact: Doug Davis, City Manager

CONDUCTED BY:

San Mateo Local Agency Formation Commission

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**LAFCo Municipal Service Review
and Sphere of Influence Update
Town of Hillsborough**

Table of Contents

| | |
|-----------------------------------------------------------------------|-----------|
| EXECUTIVE SUMMARY | 2 |
| Section 1: MSR Overview | 2 |
| San Mateo Local Agency Formation Commission | 2 |
| Local Government in San Mateo County..... | 3 |
| Purpose of a Municipal Service Review/Sphere of Influence Update..... | 3 |
| Section 2. Summary of Key Issues | 4 |
| Section 3: Affected Agencies | 5 |
| Section 4. Town of Hillsborough | 5 |
| Background & Overview | 5 |
| 1) Growth and Population..... | 7 |
| 2) Disadvantaged Unincorporated Communities | 9 |
| 4) Financial Ability | 20 |
| 5) Shared Service and Facilities..... | 26 |
| 6) Accountability, Structure and Efficiencies | 27 |
| 7) Other | 29 |
| Section 5. Sphere of Influence Review and Update | 31 |
| Determinations..... | 31 |
| Appendix A. Town of Hillsborough Fact Sheet | 33 |
| Appendix B. References | 34 |

EXECUTIVE SUMMARY

Section 1: MSR Overview

This report is a Municipal Service Review (MSR) and Sphere of Influence (SOI) update for the Town of Hillsborough (Town). California Government Code Section 56430 requires that the Local Agency Formation Commissions (LAFcos) complete MSRs and SOI updates on all cities and special districts. LAFco is an independent entity with jurisdiction over the boundaries of cities and special districts. An SOI is a plan for the boundaries of a city or special district. The MSR and SOI update do not represent a proposal¹ for reorganization of agencies, but rather a State-mandated study of service provisions of an agency.

Once adopted, the MSR determinations are considered in reviewing and updating the SOI pursuant to Section 56425. The SOI, which serves as the plan for boundaries of a special district, is discussed in the second part of this report. This State-mandated study is intended to identify municipal service delivery challenges and opportunities and provides an opportunity for the public and affected agencies to comment on city, county, or special district services and finance; and opportunities to share resources prior to LAFco adoption of required determinations.

San Mateo Local Agency Formation Commission

San Mateo Local Agency Formation Commission (LAFco or “the Commission”) is a State-mandated, independent commission with county-wide jurisdiction over the boundaries and organization of cities and special districts including annexations, detachments, incorporations, formations, and dissolutions. LAFco also has authority over extension of service outside city or district boundaries and activation or divestiture of special district powers. Among the purposes of the Commission are discouraging urban sprawl, preserving open space and prime agricultural lands, planning for the efficient provision of government services, and encouraging the orderly formation and development of local agencies based upon local conditions and circumstances. LAFco operates pursuant The Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000 (CKH Act) contained in Government Code Sections 56000 and 57000. The Commission includes two members of the County Board of Supervisors, two members of city councils from the 20 cities, two board members of 21 of the 22 independent special districts, a public member, and four alternate members (county, city, special district, and public).

LAFco prepared comprehensive SOI studies and adopted SOIs for cities and special districts in 1985 and has subsequently reviewed and updated spheres on a three-year cycle. Updates focused on changes in service demand within the boundaries of cities and special districts. After enactment of the CKH Act and the new requirement to prepare MSRs in conjunction with or prior to SOI updates, LAFco began the process of preparing MSR and SOI updates in late 2003. Studies were first prepared on sub-regional and County-wide independent special districts, followed by South County cities and special districts.

¹ An application for annexation may be submitted by 5 percent of the voters or landowners of territory proposed for annexation or by resolution of the District.

Local Government in San Mateo County

Municipal service providers in San Mateo County include the County, 20 cities, 22 independent special districts, five subsidiary districts governed by city councils, and 33 County-governed special districts. It merits emphasis that the County plays a dual role that differs from cities or districts. Districts provide a limited set of services based on enabling legislation, while cities generally provide basic services such as police and fire protection, sanitation, recreation programs, planning, street repair, and building inspection. The County, as a subdivision of the State, provides a vast array of services for all residents, including social services, public health protection, housing programs, property tax assessments, tax collection, elections, and public safety. Along with independent water, sewer, and fire districts, the County also provides basic municipal services for residents who live in unincorporated areas. According to Census 2020 data, 63,205 of the County’s total 765,417 residents live in unincorporated areas.

Purpose of a Municipal Service Review/Sphere of Influence Update

This MSR/SOI Update examines the Town of Hillsborough.

LAFCo prepares the MSR and SOI update based on source documents that include Adopted Budgets, Basic Financial Reports and Audits, Capital Plans, Urban Water Management Plans, and Planning Documents, including the General Plan. Draft MSRs and SOI updates are then circulated to the agencies under study, interested individuals and groups. The Final MSR and SOI update will include comments on the circulation draft and recommended determinations for Commission consideration. MSR determinations must be adopted before the Commission updates or amends an SOI.

Per Section 56430, the areas of MSR determination include:

1. Growth and population projections for the affected area.
2. The location and characteristics of any disadvantaged unincorporated communities² within or contiguous to the SOI.
3. Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.
4. Financial ability of agencies to provide services.
5. Status of, and opportunities for, shared facilities.
6. Accountability for community service needs, including governmental structure and operational efficiencies.
7. Any other matter related to effective or efficient service delivery, as required by LAFCo policy.

² “Disadvantaged community” means a community with an annual median household income that is less than 80 percent of the statewide annual median household income. This area of determination does not apply to the study area.

- a. Water Resiliency and Climate Change
- b. Impact of Natural Hazards and Mitigation Planning

Sphere of Influence Determinations:

LAFCo is required to make five written determinations when establishing, amending, or updating an SOI for any local agency that address the following (§56425):

1. The present and planned land uses in the area, including agricultural and open-space lands.
2. The present and probable need for public facilities and services in the area.
3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.
4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.
5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

Disadvantaged Unincorporated Communities

SB 244 (Chapter 513, Statutes of 2011) made changes to the CKH Act related to “disadvantaged unincorporated communities,” including the addition of SOIMSR determination #35 and SOI determination #5 listed above. Disadvantaged unincorporated communities, or “DUCs,” are inhabited, unincorporated territories (containing 12 or more registered voters) where the annual median household income is less than 80 percent of the statewide annual median household income. The Town of Hillsborough does not have any disadvantaged unincorporated communities within its SOI, as the adopted SOI is coterminous with the Town’s boundaries.

Section 2. Summary of Key Issues

- The Central County Fire Department (which provides service to Hillsborough, Burlingame, and Millbrae) recently published a Community Risk Assessment/Standards of Cover & Deployment Analysis that examined the department’s response performance, operations, facilities and apparatus, organizational structure, governance and mutual cooperation. The Analysis made several recommendations to plan for future facility construction and capital facility and apparatus improvements that will require significant funding.
- Although the Town is financially healthy and is anticipated to be able to meet service demands of foreseeable growth with planned infrastructure improvements, capital funding for storm drain improvements are currently coming out of the general fund revenue.

- LAFCo is not aware of any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve. The Town is anticipated to be able to meet service demands of foreseeable growth with project infrastructure improvements and other mitigation measures.

Section 3: Affected Agencies

County and Cities: San Mateo County and Town of Hillsborough

School District: Hillsborough City School District, San Mateo Union High School, and San Mateo Community College District

Independent Special Districts: San Mateo County Harbor District, San Mateo County Mosquito & Vector Control District, and Peninsula Healthcare District

Section 4. Town of Hillsborough

Background & Overview

The Town of Hillsborough (Town or Hillsborough) was incorporated on May 5, 1910 in response to the prospect of being annexed by the nearby cities of Burlingame and San Mateo. In an effort to preserve its rural nature, the Town adopted zoning laws, such as banning sidewalks, grid-like roads and commercial and business land uses. With the exception of the Public Facilities and Services designation, which allows for facilities to operate basic municipal services to meet the community’s needs (i.e., Town Hall, fire and police stations, public schools), Hillsborough remains entirely residential with single family homes today. The Town has been able to retain its low-density nature by keeping the minimum lot size at half an acre.

Hillsborough grew from a population of 750 in 1910 to 10,667 in 1990 but has only increased 6.7% to 11,387 residents in the past 30 years.³ The median household income in Hillsborough is \$250,000+, well above the County median of \$131,796.⁴ Similarly, home values in the Town are higher than other cities in San Mateo County or the region, with an average home selling price of \$4.6M in 2020.⁵

Hillsborough has an area of 6.23 miles and is bordered by Burlingame and Burlingame Hills to the north, Burlingame and San Mateo to the east, Highway 280 to the west, and San Mateo and unincorporated Highlands-Baywood Park to the south. The Town has 3 public parks and owns 259 acres of open space.

The Town operates under the Council-City Manager form of government in which the City Council is the legislative and policy making body. The City Manager, hired by the Council, is responsible for carrying out Council’s policies and overseeing daily Town operations. City Council members are elected at-large to overlapping 4-year terms on even numbered year, and

³ U.S. Census, Town of Hillsborough 2020 Census Bureau Profile

⁴ U.S. Census, County of San Mateo 2020 Census Bureau Profile

⁵ Town of Hillsborough, *2023-2031 Housing Element*, March 2, 2023, Draft for HCD Review, https://www.hillsborough.net/DocumentCenter/View/5363/Hillsborough-Housing-Element_for-HCD-Resubmittal?bidId=

the Mayor and Vice-Mayor are selected by Council members every year for a maximum of two one-year terms. Hillsborough City Council typically meets on the second Monday of each month and have resumed in-person meetings in the Council Chambers with the option for residents to participate in-person or via Zoom video conference.

Municipal Services

| SERVICE | RESPONSIBLE AGENCY |
|---------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <i>Public Safety</i> | |
| Police protection | Town of Hillsborough |
| Fire protection | Central County Fire Department (JPA) |
| Emergency Medical Service | Central County Fire Department/ American Medical Response (JPA with Town of Hillsborough and JPA with the San Mateo County Pre-Hospital Emergency Services Group) |
| Traffic enforcement | Town of Hillsborough |
| Animal Control | Peninsula Humane Society & SPCA |
| | |
| Water distribution | Town of Hillsborough |
| Wastewater collection | Town of Hillsborough |
| Wastewater treatment | Cities of Burlingame and San Mateo |
| Electricity | PG&E Peninsula Clean Energy |
| Natural Gas | PG&E |
| Solid Waste Collection | Recology San Mateo |
| Solid Waste Disposal | Recology San Mateo |
| Stormwater drainage and flood control | Town of Hillsborough |
| Street Maintenance | Town of Hillsborough |
| Street Lighting | Town of Hillsborough PG&E |
| | |
| Parks and Recreation | Town of Hillsborough Public Works (Parks) Town of Hillsborough Recreation (Recreation) |
| Library | Cities of Burlingame and San Mateo |
| Mosquito abatement and vector control | San Mateo County Mosquito and Vector Control District |
| Resource conservation | San Mateo Resource Conservation District |
| Public transportation | SamTrans |

The MSR determinations checked below are potentially significant, as indicated by “yes” or “maybe” answers to the key policy questions in the checklist and corresponding discussion on

the following pages. If most or all of the determinations are not significant, as indicated by “no” answers, the Commission may find that an MSR update is not warranted.

| | | | |
|---|---------------------------------------------------------|--|---------------------------------------------|
| X | Growth and Population | | Disadvantaged Unincorporated Communities |
| X | Capacity, Adequacy & Infrastructure to Provide Services | | Financial Ability |
| | Shared Services | | Accountability, Structure, and Efficiencies |
| | Other | | |

1) Growth and Population

| Growth and population projections for the affected area. | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|----------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years? | | X | |
| b) Will population changes have an impact on the subject agency’s service needs and demands? | | X | |
| c) Will projected growth require a change in the agency’s service boundary? | | | X |

Discussion:

- a) Is the agency’s territory or surrounding area expected to experience any significant population change or development over the next 5-10 years?

Hillsborough’s population was 11,387 in 2020 and accounts for 1.5% of the population in San Mateo County. Between 2000 and 2020 the County grew 9%, whereas Hillsborough’s population only increased 5.5% during that period.⁶ In 2019, there were 3,633 housing units in Hillsborough. Housing production in Hillsborough has increased 7.5% over the past two decades, from 3,804 units in 2000 to 4,091 units in 2020. Of the 4,091 units, 3,936 (96%) are single family detached units. The remaining units are single family detached homes (127) and multi-family housing with 2-4 units (28).⁷ The percentage of owner-occupied housing stock has been consistent over the past twenty years at around 95%. Between 2015-2019, renter-occupied households have more persons per household than owner-occupied households with 68% of renter-owner households having three or more people per household compared to 51% of owner-occupied households.⁷ Although income gaps between homeowners and renters in

⁶ U.S. Census, P1 Race Tables 2000, 2010 and 2020 for Town of Hillsborough

⁷ Town of Hillsborough, *2023-2031 Housing Element*, March 2, 2023, Draft for HCD Review

the Bay Area are significant, the largest proportion of renters in Hillsborough (74%) are in the greater than 100% Area Median income.

The Association of Bay Area Governments (ABAG), the agency responsible for forecasting population, housing and economic trends in the Bay Area, in coordination with the California Department of Housing and Community Development (HCD) estimates the housing need for the region and allocates a portion of projected need to every jurisdiction. In collaboration with Bay Area partner agencies, non-profit organizations and residents, ABAG developed Plan Bay Area 2050, a long-range regional plan that, among other activities, projects the population growth of each region throughout the Bay Area. Plan Bay Area 2050 anticipates that Central San Mateo County, which includes the Town of Hillsborough, will increase its population 39% from 87,000 households in 2015 to 121,000 households in 2050.⁸

To accommodate the projected growth, cities and counties throughout the State must update their housing elements every eight years to accommodate the Regional Housing Need Assessment (RHNA) allocation for the upcoming cycle. The County and the Cities in San Mateo County are currently in the process of updating their Housing Element to be consistent with the RHNA allocations in Plan Bay Area 2050. The Housing Element is a required component of a City's or County's General Plan, and the RHNA allocations for each cycle may require and update to zoning ordinances to demonstrate how it plans to meet the housing needs in its community.

In its most recent RHNA cycle, ABAG tasked Hillsborough with identifying appropriately zoned developable or re-developable land to accommodate 554 new housing units by 2031. The Town will amend its General Plan, last adopted in 2005 and updated in 2014 to accommodate the 2014-2022 Housing Element, to ensure that its goals, policies and programs are consistent with the Housing Element once it is approved by HCD.

Distribution of RHNA allocation for Housing Element

| Income Level | RHNA 2014-2022 | Built | RHNA 2023-2031 | 2023-2031 Site Inventory |
|---------------------------------------------------|-------------------|-------|-------------------|-----------------------------|
| Very Low Income (50% Average Median Income [AMI]) | 32 | 76 | 153 | 171 |
| Low Income (60% AMI) | 17 | 44 | 88 | 89 |
| Moderate Income (80% AMI) | 21 | 42 | 87 | 97 |
| Above Moderate Income (120% AMI) | 21 | 30 | 223 | 248 |
| Total: | 91 | 192 | 554 | 605 |

Hillsborough's approach to meeting the RHNA requirement relies primarily on the development of accessory dwelling units (ADUs) and includes planning for the construction of 50 ADUs per

⁸ Association of Bay Area Governments, *Plan Bay Area 2050: The Final Blueprint Growth Pattern*, https://www.planbayarea.org/sites/default/files/FinalBlueprintRelease_December2020_GrowthPattern_Jan2021Update.pdf

year for a total of 400 ADUs in this RHNA cycle that will serve each income level. The Town currently has 12 projects in the pipeline for development and identified 23 vacant sites and 1 opportunity site for the development of up to 66 above moderate-income single-family housing units. The Town also identified a few opportunities to develop over 120 multi-family housing units for all income levels.

- b) Will population changes have an impact on the subject agency’s service needs and demands?

If the development, that is planned for as part of the Town’s Housing Element, is realized there would be a potential increase of 605 new housing units. There could be an increase in demand for the Town’s public services, including water and sewer, if these new housing units are developed.

- c) Will projected growth require a change in the agency’s service boundary?

The Town’s sphere of influence is coterminous with the Town’s boundaries. Any additional growth will occur within the Town’s existing boundaries.

Growth and Population MSR Determination:

As of 2020 the population of Hillsborough was 11,387 and had 4,091 housing units. The Regional Housing Needs Assessment (RHNA) allocation, prepared by the Association of Bay Area Governments (ABAG), for 2023-2031 requires the Town to plan for the development of 554 new housing units by 2031. The Town will amend its General Plan, last adopted in 2005 and updated in 2014 to accommodate the 2014-2022 Housing Element, to ensure that its goals, policies and programs are consistent with the Housing Element once it is approved by the Housing and Community Development Agency.

2) Disadvantaged Unincorporated Communities

| The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the sphere of influence. | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Does the subject agency provide public services related to sewers, municipal and industrial water, or structural fire protection? | | | X |
| b) Are there any “inhabited unincorporated communities” within or adjacent to the subject agency’s sphere of influence that are considered “disadvantaged” (80% or less of the statewide median household income)? | | | X |

| | | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|---|
| c) If “yes” to both a) and b), it is feasible for the agency to be reorganized such that it can extend service to the disadvantaged unincorporated community (if “no” to either a) or b), this question may be skipped)? | | | X |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|---|

Discussion:

a-c) Disadvantaged Unincorporated Communities:

While the Town does provide water, sewer, and structural fire protection, there are several properties in the unincorporated Burlingame Hills area that receive water service from the Town. However, the Town of Hillsborough’s sphere of influence is coterminous with its boundaries and, therefore, does not have any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Disadvantaged Unincorporated Communities MSR Determination:

While the Town does provide water, sewer, and structural fire protection, there are several properties in the unincorporated Burlingame Hills area that receive water service from the Town. However, the Town of Hillsborough’s sphere of influence is coterminous with its boundaries and, therefore, does not have any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

3) Capacity and Adequacy of Public Facilities and Services

| Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the sphere of influence. | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Are there any deficiencies in agency capacity to meet service needs of existing development within its existing territory? | | | X |
| b) Are there any issues regarding the agency’s capacity to meet the service demand of reasonably foreseeable future growth? | | | X |
| c) Are there any concerns regarding public services provided by the agency being considered adequate? | | | X |
| d) Are there any significant infrastructure needs or deficiencies to be addressed? | | X | |

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--|--|---|
| e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades? | | | X |
| f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence? | | | X |

Discussion:

a-b) Capacity to serve customers:

Water^{9,12}

Hillsborough operates and maintains a water distribution system to serve its residents. The system navigates varying terrain and contains 108 miles of water mains, 10 water storage sites consisting of 18 water tanks, 14 water pump stations and over 7,500 water meters, fire hydrants and valves. The Town purchases all of its water from the San Francisco Public Utilities Commission.

Hillsborough updated its urban water management plan in 2021 and found that residents have reduced water demand and usage significantly over the past decade. Hillsborough’s water demand in 2020 was 2,982-acre feet (AF) per year, down from 4,296 AF at its highest demand in 2007. Water demand is projected to rise to 3,738 AF per year by 2030 to accommodate modest population growth. The Town predicts demand will fall to 3,669 AF in 2045 because of water conservation efforts and improvements to plumbing code, as well minimal projected population growth between 2031 and 2045.

The Town of Hillsborough has complied with the requirements of the Water Conservation Act of 2009, which required urban retail water suppliers to reduce water usage by 20% by 2020. The Town exceeded its conservation target of 267 gallons per capita per day (GPCD), with actual usage in 2020 at 234 GCPD.

The Town has a sufficient water supply guarantee of 4,858 AF per year during normal water years to meet Hillsborough’s maximum projected water demand through 2045. Consistent with the California Water Code section 10632, Hillsborough developed a Water Shortage Contingency Plan in 2021 to prepare for and respond to future water shortages. The Plan outlines the Town’s

⁹ Town of Hillsborough, *2020 Urban Water Management Plan*, <https://www.hillsborough.net/DocumentCenter/View/4673/2020-UWMP-Final-8-18-2021>

¹² Town of Hillsborough, *2020 Water Shortage Contingency Plan*, <https://www.hillsborough.net/DocumentCenter/View/4672/2020-Water-Shortage-Contingency-Plan-Final-8-18-2021>

phased response to water shortages that progresses depending on severity from voluntary rationing to mandatory rationing and penalties to limiting water use to public, health and safety purposes only. Movement between each phase is preceded by a City Council public hearing.

Water rates were updated effective July 1, 2023. An average 6% increase in both the volumetric and fixed rates is budgeted for FY 23-24. The rate will go into effect January 1, 2024 to cover increased capital spending and the SFPUC rate increase.

Rates for Bi-Monthly Water Service Charge (\$/Meter Size) (Effective July 1, 2023)

| Meter Size | Charge |
|------------|------------|
| ¾" | \$144.82 |
| 1" | \$171.34 |
| 1.5" | \$231.01 |
| 2" | \$310.58 |
| 3" | \$522.76 |
| 6" | \$1,424.52 |
| 8" | \$2,220.18 |

Rates for Bi-Monthly Volume (\$/Meter Size)

| Customer Category | Tier Size | Charge |
|----------------------------------|---------------------------------|---------------|
| Residential | Hundred Cubic Feet (HCF) | \$/HCF |
| Tier 1 | 1-22 | \$6.39 |
| Tier 2 | 23-44 | \$8.47 |
| Tier 3 | 45-78 | \$13.61 |
| Tier 4 | Over 78 | \$18.40 |
| Non-Residential (Per HCF) | | \$8.99 |

The FY 23-24 budget for the Public Works Water Distribution division is \$14,517,411 up 5% from the FY 22-23 revised budget.¹⁰ The key initiatives for FY 23-24 include the implementation of a unidirectional flushing program to ensure water quality, procurement of a water main break and emergency response trailer to improve the Division’s emergency response and to initiate a request for proposal (RFP) for an emergency response generator replacement program.

The Town’s 5-year Capital Improvement Plan (CIP) includes \$18.9M for annual water main replacements, the demolition and clean-up of tanks and structures on Forest View and Major Hayes Tank site, a highline water connection to SFPUC’s Harry Tracy Water Treatment Plant, replacement of Darrel Tank and installation of a new emergency back-up generator at existing pump stations.

Sanitary Sewer

The Town’s sewer collection system is operated and maintained by the Hillsborough Public Works Department and is comprised of 98 miles of mainlines, approximately 2,500 manholes, 247 cleanouts, 4 sewer pumps and 2 sewer ejectors. The pump stations were constructed

¹⁰ Town of Hillsborough, *FY 2023-24 Budget* (operating and debt service costs; excludes capital improvement cost)

between 1976 and 2019, and nearly 2/3 of the Town’s collection system was built prior to 1940. Sewage is treated by contract with the City of San Mateo Wastewater Treatment Plant.

Hillsborough has approximately 3,907 sewer accounts that are subject to annual sewer services fees. The Town last updated its sewer rate schedule effective July 1, 2023 to fund sewer system improvements and capital projects in alignment with the Town’s Sanitary Sewer Master Plan (SMMP) adopted in 2021, as well as costs associated with upgrades to the San Mateo wastewater treatment plant.

Sewer Rate Schedule (Annual Fee) (Effective July 1, 2023)¹¹

| Fee Type | Rate |
|------------------------------------------------------------------|-------------|
| Annual service charge | \$3,985 |
| Hillsborough Racquet Club | \$2,203 |
| Cal Trans Racquet Club | \$21,122 |
| Crystal Springs Upland School | \$17,535 |
| Burlingame Country Club | \$78,909 |
| Crystal Spring Golf Club | \$21,521 |
| Hillsborough School District | \$40,251 |
| Nueva School | \$3,985 |
| One-time Development fee for a new residential connection | \$17,891 |

The FY 23-24 budget for sewer service operations and maintenance is \$12,154,359, an 11% decrease from the prior fiscal year. FY 22-23 cost includes a one-time \$2,415,000 principal payment on the new San Mateo Clean Water agreement. Excluding this one-time charge in FY 22-23, the year-over-year growth in FY 23-24 would be 7.9%. Key initiatives for FY 23-24 include replacing an aging sewer cleaning vehicle truck with a more water efficient vehicle for cleaning sewer lines, completing preventative maintenance and updating the SMMP regarding recently adopted water discharge requirements from the State Water Resource Control Board. The cost for these upgrades to the SMMP will be paid for by all agencies that use the treatment plant.

The Town’s 5-year CIP includes \$20.3M for the replacement and repair of sewer drainage basin main lines and manholes, smoke testing and video inspections of priority basins, flow metering and modeling, list station repairs, closed circuit television (CCTV) inspection and root removal and sewer system replacements.

Streets & Storm Drains

The Town maintains approximately 83 miles of paved streets, as well as storm drain pipelines, traffic islands, parks and open spaces. As of 2021, the Town maintains an average PCI of 80 (Good).¹² Revenue for street funding includes Measure A and W funds, Road Maintenance and Repair (RMRA) funds, gas taxes, vehicle impact fees, grants and the general fund. In 1994,

¹¹ Town of Hillsborough, Water & Sewer Rates, <https://www.hillsborough.net/188/Water-Sewer-Rates>

¹² Metropolitan Transportation Commission, Pavement Condition Index 2021, https://mtc.ca.gov/sites/default/files/documents/2022-11/PCI_table-2021_data.pdf

Hillsborough residents approved an annual \$7.34 storm drainage fee for storm drain maintenance and repairs.

Storm drain capital improvements are primarily funded by the General Fund. The FY 23-24 budget noted that the Town has identified the need for over \$50M of storm drain improvements for infrastructure that is approaching the end of its useful life. However, there is currently no dedicated source of funding for storm drain improvements, and the Town is considering implementing a stormwater fee to fund these improvements.

The FY 23-24 budget for streets and stormwater operations is \$3.3M.¹³ Key initiatives for FY 23-24 include the development of future recreational pathways, the street sign replacement program, stormwater system capital improvements and infrastructure replacements for the aging stormwater system.

The Streets 5-year CIP includes \$11.4 for street resurfacing, ADA improvements, the development of a bicycle and pedestrian pathway master plan, a bridge assessment program and the creation of a recreational trail and the Eucalyptus Pedestrian Pathway Project. The CIP for storm drain improvements is \$10.7M to support critical storm drain repairs and replacements and the development and implementation of a Green Infrastructure plan.

Structural Fire Protection

Since 2004, the Central County Fire Department has provided fire protection and emergency medical services to the City of Burlingame and the Town of Hillsborough through a Joint Powers Agreement (JPA) between the two cities by merging their fire departments. Central County Fire also provides fire protection services to the City of Millbrae through a service contract that expires in 2024. CCFD staffs six fire stations, two of which are in Hillsborough, in addition to an administrative office and training facility in Burlingame. The two fire stations in Hillsborough can reach most areas of the Town within a 4-minute travel time, with the exception of the southwestern portion of the Town bordering the City of San Mateo and unincorporated San Mateo Highlands. Fire stations are opened 24 hours a day, every day, and the administrative office is open Monday-Friday.

CCFD Facilities in Hillsborough

| Facility | Location | Year Built |
|-----------------|-------------------|-------------------|
| Fire Station 32 | 330 Ascot Road | 1982 |
| Fire Station 33 | 835 Chateau Drive | 1952 |

CCFD is comprised of 90 full-time employees, including 45 firefighters and paramedics, 22 Captains, 4 Battalion Chiefs, 7 fire prevention staff, 6 administrative staff and 3 executive staff. CCFD responds to approximately 7,000 calls for service every year with its 6 engines and 1 ladder truck. Legal counsel, human resources, and some accounting services are contracted out to further streamline costs.¹⁴ In addition, CCFD holds several agreements with various agencies

¹³ Town of Hillsborough, *FY 2023-24 Budget*

¹⁴ Central County Fire Department (CCFD), *FY 2023-24 Budget*

for shared services, including search and rescue training, advanced life support services, dispatch, mechanic shop services and tactical emergency services.

The total service area is 15.51 square miles with a population of approximately 66,000. The value of property protected is over \$16B.

Governance

The Department is governed by a four-person Board of Directors comprised of two councilmembers from Burlingame and Hillsborough who determine the level of fire, emergency medical and disaster preparedness services to be provided by the Department. All major decisions by the Board require ratification by the respective Council. The Board appoints the City Managers of each city to serve as Chief Administrative Officer for alternating two-year terms. The Chief Administrative Officer appoints the Fire Chief who shall conduct the day-to-day operations of the Department.

The Board typically meets quarterly on the second Wednesday of the month at 4pm and were held via Zoom during the COVID-19 State of Emergency. The Board met virtually during the COVID-19 public health state of emergency and has resumed in-person meetings alternating locations in the Burlingame Council Chambers and Hillsborough Town Council Chambers, while also making virtual attendance an option for members of the public and interested parties.

Budget

The Central County Fire Department JPA requires that the Department adopt a budget approved by member agencies for maintenance and operations costs and costs of special services prior to June 30th of each year.

CCFD operates under budget policies that guide the development and administration of their annual budget. Operating revenues must fully cover operating expenditures, including debt services. However, total expenditures can exceed revenues in a given year to fund capital improvement plan projects and other one-time expenditures if there are sufficient reserves to cover such expenditures. The Board of Directors may amend or supplement the budget after its adoption by a majority vote of the Board. Annual budgets are presented to and adopted by the Board for each fund, except for the Capital Projects Fund, which establishes budgetary control on a project-by-project basis.

The City of Millbrae is responsible for 30% of the operational budget and the remaining 70% is split in a 60/40 cost allocation formula between the City of Burlingame (60%) and the Town of Hillsborough (40%). Nearly 96% of the Department's General Fund revenue comes from the three cities, and the remaining revenue comes from permits and licenses, program revenue, workers compensation premiums and other sources. Ninety percent of General Fund expenditures are for salaries and benefits.

CCFD adopted the FY 23-24 budget of \$34,499,746, a 5.6% increase from the revised adopted FY 21-22 budget. The allocation for the Town of Hillsborough is \$9,581,385 in FY 23-24. The key changes included the addition of 2 full-time employees (up from 88 employee in the prior fiscal year), higher cost-of-living adjustments due to none given in FY 22-23, allocation of \$1.3M to reserves for upcoming equipment expenditures and increases to CalPERS contributions and

health insurance premiums. The Department’s FY 23-24 General Fund projected fund balance is \$771,885.¹⁵

Hillsborough’s budget for CCFD services in FY 23-24 was \$9.8M, a 6% increase from the prior year due to contractual increases for cost of living and CalPERS pension contributions.¹⁶

Performance

On average, CCFD responds to over 7,000 calls for service annually, arrives on a structure fire scene within six minutes of dispatch over 80% of the time, and responds to priority 1 (emergency) calls in under five minutes and thirty seconds. In FY 20-21 CCFD responded to fire and emergency medical calls within 7 minutes 90% of the time.¹⁷

CCFD performance (systemwide)¹⁸

| | FY 18-19 | FY 19-20 | FY 20-21 | FY 21-22 | YTD FY 22-23* |
|--------------------------------------------------------------------------------|-----------------|-----------------|-----------------|-----------------|--------------------------|
| Total calls for service | 7,493 | 7,410 | 7,004 | 8,328 | 4,774 |
| Medical responses | 4,548 | 4,486 | 4,314 | 5,141 | 3,014 |
| Fire suppression responses | 144 | 116 | 156 | 153 | 96 |
| Hazardous conditions responses | 214 | 225 | 169 | 238 | 114 |
| Training hours completed | 7,168 | 18,122 | 20,491 | 12,294 | 4,017 |
| % of time fire engine arrives on structure fire scene within 6 min of dispatch | 100% | 83% | 86% | 73% | 76% |
| Avg. response time for all calls | 6:59 | 5:17 | 5:43 | 5:32 | 5:29 |
| Avg. response time for priority 1 calls (emergency) | 6:59 | 5:02 | 5:30 | 5:18 | 5:21 |
| Average response time for priority 3 calls (non-emergency) | 6:59 | 6:21 | 6:37 | 6:38 | 6:08 |

* FY 22-23 YTD data collected as of March 9, 2023

In March 2023, CCFD published a Community Risk Assessment/Standards of Cover & Deployment Analysis that examined the department’s response performance, operations, facilities and apparatus, organizational structure, governance and mutual cooperation¹⁹. The Assessment made several recommendations to CCFD including:

- Developing capital facilities and apparatus replacement plans for fire stations, vehicles and apparatus that are in poor condition.
- Constructing or relocating Administrative Facility to a more suitable location and replacing and relocating Station 36 to a new location with new fire staff to address future growth.

¹⁵ CCFD, *FY 2023-24 Budget*

¹⁶ Town of Hillsborough, *FY 2023-24 Budget*

¹⁷ CCFD, *FY 2023-24 Budget*

¹⁸ CCFD, CCFD website, <https://ccfd.org/about-ccfd/>

¹⁹ CCFD, *CCFD Community Risk Assessment/Standards of Cover & Deployment Analysis*, March 2023, <https://ccfd.org/about-ccfd/standards-of-cover/>

- Developing and analyzing performance metrics.
- Increasing staffing to meet National Fire Protection Association standards.
- Conducting a management staff analysis to understand if more operational management staff is needed.
- Conducting studies to assess feasibility of developing cooperative services with neighboring agencies and turning the department into a fire district.

The Current Insurance Services Office (ISO) rating for CCFD for the Town of Hillsborough is 2. ISO ratings reflect how well equipped a fire department is to respond to fires in the community, with the highest score being a 1 and the lowest is a 10.

Police

The Town of Hillsborough provides law enforcement and dispatch services within the Town limits. The Department provides patrol services, investigations, traffic enforcement, a K-9 unit, a Special Weapons & Tactics (SWAT) team, evidence technicians, defensive tactics and field training officers. The Hillsborough Police Department has 28 sworn officers and 10 non-sworn officers. The Hillsborough Police Department facility was built in 1992 and is located at 1600 Floribunda Avenue. Law enforcement in Hillsborough is primarily funded by the Town’s general fund, with approximately 10% of revenue coming from public safety special tax that was approved by voters in 1998, police grants, permits, fees and fines. The adopted budget for FY 23-24 was \$12,478,651, a 5% increase from the prior fiscal year. Key initiatives for FY 23-24 include updating the vehicle fleet, performing security checks of homes and providing crime prevention strategies, facility upgrades, hiring a property officer and updating the computer network server to meet Department of Justice security requirements.

The Hillsborough Police Department received 8,806 calls for service in FY 21-22. During this time the average response time to all calls was under six minutes and two minutes and twelve seconds for Priority 1 emergency calls²⁰. The Town has maintained the lowest crime record for cities greater than 10,000 population for more than 15 years²¹.

Hillsborough Police Department Performance

| | FY 19-20 | FY 20-21 | FY 21-22 | YTD FY 22-23 |
|--------------------------------------------|-----------------|-----------------|-----------------|---------------------|
| Total incidents | 29,772 | 31,530 | 29,339 | 19,330 |
| Calls for Service | 10,937 | 10,429 | 8,806 | 5,485 |
| Felony Arrests | 6 | 15 | 14 | 7 |
| Misdemeanor Arrests | 64 | 46 | 46 | 26 |
| Average response to all calls | 6:23 | 6:08 | 5:54 | 5:52 |
| Priority Emergency Response time (minutes) | 3:11 | 2:45 | 2:12 | 3:08 |

²⁰ Town of Hillsborough, *FY 2023-24 Budget*

²¹ Communication with the Town of Hillsborough, 07/07/2023

Parks and Recreation

Hillsborough has 259 acres of open space and three public parks within the Town limits – Vista Park, Centennial Park and Crossroads Park. The parks and open space are maintained by the Public Works Department.

The Hillsborough Recreation Department, a joint powers authority comprised of the Town and Hillsborough City School District, delivers a variety of recreational activities to Town residents, including summer programs, after school sports and facility rentals. The Hillsborough Recreation Department leadership team is composed of its Executive Director, the Superintendent of the Hillsborough City School District, and the Recreation Director. The 5-member Hillsborough Recreation Commission consists of two City Councilmembers, two School Board Trustees, and one community at-large commissioner and provides oversight of the Department’s programming and financials.

The Town’s FY 23-24 budgeted contribution to Hillsborough Recreation is \$182,000.

Other Shared Services

Library services: Library services are provided to Hillsborough residents via an agreement with the Cities of Burlingame and San Mateo. The FY 23-24 budget for library services is \$1.1.M, accounting for less than 3% of General Fund expenditures.

Animal Control: Twenty cities in San Mateo County, including the Town of Hillsborough, contracts with the County to operate a countywide animal control program. The County contracts with the Peninsula Humane Society & SPCA to enforce all animal control laws, shelter homeless animals and to provide a variety of other related services.

Garbage/solid waste/recycling: South Bayside Waste Management Authority (BWMA), also known as ReThink Waste, is a joint powers authority between the County, 10 cities, including the Town of Hillsborough, and the West Bay Sanitary District that provides oversight and management of solid waste service providers. Recology has been the recycling, compost and solid waste collection contracted service provider for the JPA service area since 2011. Solid waste fees were most recently updated on January 1, 2023.

Town of Hillsborough Monthly Solid Waste Rates (Effective January 1, 2023)

| Residential | | Commercial | |
|--------------------------------------------------------|---------|--------------------------|----------|
| Flat fee per parcel address | \$28.88 | 1 cubic yard solid waste | \$131.96 |
| 20 Gallon Cart | \$29.25 | 1 cubic yard organics | \$65.98 |
| 32 Gallon Cart | \$35.72 | | |
| 64 Gallon Cart | \$55.50 | | |
| 96 Gallon Cart | \$80.98 | | |
| Additional organics cart (beyond 1 st cart) | \$24.77 | | |

- c) Are there any concerns regarding public services provided by the agency being considered adequate?

LAFCo staff has not identified any concerns regarding the adequacy of the public services being delivered by the Town of Hillsborough. However, if the development that is being planned for as part of the Town’s Housing Element is actualized, there could be increases in demand for public services, including water and sewer services.

- d) Are there any significant infrastructure needs or deficiencies to be addressed?

The Town of Hillsborough continues to implement capital improvements to the Town’s sewer and water system, with allocations to capital improvement funds for projects. However, while there are planned improvements for the Town’s stormwater system, there is no dedicated funding for these projects. Instead, stormwater capital improvements are currently funded through the Town’s General Fund.

- e) Are there changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?

The Town is not aware of any new state regulations and legislation that will require significant facility and/or infrastructure upgrades.

- f) Are there any service needs or deficiencies for disadvantaged unincorporated communities related to sewers, municipal and industrial water, and structural fire protection within or contiguous to the agency’s sphere of influence?

Capacity and Adequacy of Public Facilities and Services MSR Determination:

LAFCo is not aware of any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve. The Town is anticipated to be able to meet most service demands of foreseeable growth with project infrastructure improvements and other mitigation measures.

Although the Town’s guaranteed water supply of 4,858 acre-feet (AF) per year during normal water years through 2045 exceeds its projected water demands in the 2021 urban water management plan, the projected water demands assumes minimal population growth. LAFCo staff recommends that the Town update its urban water management plan (UMWP) to align with planned growth as directed by the recent housing element and the RHNA allocation.

The Town acknowledges that its infrastructure is aging. The Town’s annual 5-year Capital Improvement Plan includes the critical capital improvements, replacements and repairs to ensure the Town’s infrastructure and facilities are adequate to meet future needs of its residents. Capital improvements to the water and sewer systems are funded through the respective enterprise funds. Storm drain improvements are funded by general fund capital transfers.

Fire protection services are provided by the Central County Fire Department, a Joint Powers Agreement (JPA) between the City of Hillsborough and Town of Hillsborough. In March 2023, CCFD published a Community Risk Assessment/Standards of Care & Deployment Analysis that made several recommendations, including the development of a capital improvement plan for

fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.

Recommendations:

1. The Town should partner with the City of Burlingame to review the recommendations in the CCFD Community Risk Assessment to prepare a capital improvement plan and CIP budget for fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.
2. Hillsborough’s UMWP was last updated in 2021. The Town should align the growth projections in the UMWP with the RHNA growth projections and the 2023-2031 Housing Element in its next UMWP update.
3. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements, and Town is considering implementing a stormwater fee to fund these improvements. LAFCo staff encourages the Town to conduct this analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

4) Financial Ability

| Financial ability of agencies to provide service | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Does the organization routinely engage in budgeting practices that may indicate poor financial management, such as overspending its revenues, failing to commission independent audits, or adopting its budget late? | | | X |
| b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs? | | | X |
| c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations? | | | X |
| d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion? | | | X |
| e) Is the organization lacking financial policies that ensure its continued financial accountability and stability? | | | X |
| f) Is the organization’s debt at an unmanageable level? | | | X |

Discussion:

a) Budget and audit processes

The Town of Hillsborough adopts a budget on a yearly basis that includes preliminary budgets for the next two fiscal years. The City Manager and Finance Director lead the budget preparation process in coordination with Town department heads. Department goals and initial budgets are presented to City Council at a Study Session. From this discussion, a detailed budget is prepared and issued by the City Manager for public comment. The Financial Advisory Committee and City Council review the proposed budget documents at public hearings, and the budget is adopted by the City Council by June 30th of every year. The City Council conducts a mid-year budget review and adjusts appropriations, as needed. Interim financial reports and major project status reports are presented to Council on a periodic basis.

Hillsborough contracts with a qualified independent certified public accountant to prepare the Town's annual audit and will issue the audited financial statements within 180 days after year-end. City Council accepts the annual audit at a noticed public meeting. The most recent annual audited financial statements for the year ending on June 30, 2022 noted that the Town's total net position increased 11% to \$97M in FY 21-22, of which \$44.6M is unrestricted and can be used to meet the Town's ongoing obligations. The General Fund balance also increased by \$1.8M to \$31.8M by the end of the fiscal year and includes \$15.7M for reserves, 30-50% of budgeted operating expenditures, as required by the Town's General Fund reserve policy. Long term liabilities totaled \$82.2M, a \$3M increase from the prior year. The Town decreased its net pension liability by \$12.2M, primarily due to a significant CalPERS investment return of 21/3% in FY 20-21.

The Town has received the Government Finance Officers Association (GFOA) of the United States and Canada Excellence in Budgeting and the Certificate of Achievement for nineteen years. In addition, the Town recently received an AAA rating from Standard and Poor's with the issuance of the Revenue Refunding Bonds Series 2023 in the Enterprise Funds. The long-range projection in the FY 23-24 Adopted Budget indicates that the General Fund reserves will be within policy levels.²²

The California State Auditor maintains a Fiscal Health of California Cities dashboard²³ to identify local government agencies that are risk for potential waste, fraud, abuse, or mismanagement, or have major economic challenges. The Town of Hillsborough received a score of 85.27 out of 100 points (higher is better), classified as low risk, in FY 20-21. Other post-employment benefit funding was identified as the most significant fiscal challenge for the Town of Hillsborough.

²² Communication with the Town of Hillsborough, 07/07/2023

²³ California State Auditor, Fiscal Health of California Cities Dashboard, Town of Hillsborough FY 2020-21, https://www.auditor.ca.gov/local_high_risk/dashboard-csa.html

California State Auditor fiscal Health Risk Indicator for the Town of Hillsborough, FY 20-21

| Risk Factor | Risk | Risk Factor | Risk |
|-----------------------|----------|----------------------|----------|
| General Fund Reserves | Low | Pension Funding | Low |
| Debt Burden | Moderate | Pension Costs | Low |
| Liquidity | Low | Future Pension Costs | Moderate |
| Revenue Trends | Moderate | OPEB Obligations | Low |
| Pension Obligations | Low | OPEB Funding | High |

Although Hillsborough’s revenue stream was impacted by the COVID-19 pandemic like many communities, the Town has been able to prepare balanced budgets and draw from the Town’s healthy reserve when needed. For FY 23-24, the Town budgeted \$35M in General Fund expenditures, with 64% allocated to Public Safety, 11% to Planning & Building, 9% to Streets, 7% to capital transfers, 5% to general governmental activities, and the remaining 4% to library, recreation and community services.

Town of Hillsborough General Fund Budget, FY 18-19 through FY 23-24*

| | FY 18-19 Actuals | FY 19-20 Actuals | FY 20-21 Actuals | FY 21-22 Actuals | FY 22-23 Budget | FY 23-24 Budget |
|---------------------------|---------------------|---------------------|---------------------|---------------------|---------------------|---------------------|
| REVENUE | | | | | | |
| Property Tax | \$16,680,762 | \$17,413,680 | \$18,455,541 | \$19,324,411 | \$21,252,715 | \$22,211,874 |
| Public Safety Tax | \$2,235,229 | \$2,235,485 | \$2,237,548 | \$2,238,231 | \$2,239,271 | \$2,238,835 |
| Excess ERAF | \$2,209,536 | \$2,300,581 | \$2,381,601 | \$3,153,308 | \$2,800,000 | \$2,900,000 |
| Permits | \$1,562,782 | \$1,117,218 | \$1,798,365 | \$1,683,174 | \$1,532,900 | \$1,532,900 |
| Service Charges | \$1,218,912 | \$1,176,300 | \$961,695 | \$1,454,288 | \$2,008,730 | \$2,232,221 |
| Other Taxes | \$3,370,509 | \$3,296,957 | \$3,463,444 | \$4,009,970 | \$1,850,000 | \$2,100,000 |
| Other Revenue | \$2,120,919 | \$1,848,476 | \$1,989,632 | \$2,010,015 | \$1,218,102 | \$1,310,258 |
| Total Revenue | \$29,398,649 | \$29,388,697 | \$31,287,826 | \$33,873,397 | \$32,901,718 | \$34,526,088 |
| EXPENDITURES | | | | | | |
| Total Expenditures | \$25,603,931 | \$26,851,813 | \$30,145,650 | \$32,029,703 | \$32,191,597 | \$35,016,172 |
| Use of Reserves | \$0 | \$0 | \$0 | \$0 | \$0 | \$490,085 |
| <i>Surplus (deficit)</i> | <i>\$3,794,718</i> | <i>\$2,536,884</i> | <i>\$1,142,176</i> | <i>\$1,843,694</i> | <i>\$710,121</i> | <i>\$1</i> |

*Actual Budget revenue and expenditures for FYs 18-19, 19-20, 20-21 and 21-22 were pulled from the Town ACFRs for those corresponding years. Revenue and Expenditure for FYs 22-23 and 23-24 were pulled from the Town’s adopted budgets for those corresponding years.

Excess ERAF revenue is approximately 8.5% of General Fund revenues and is used to fund the Town’s critical, ongoing operations. Significant reductions to or loss of excess ERAF would impact operations and projects for key services. According to the Town, revenue projections reflect an erosion of Excess ERAF revenue of approximately 5%-6% per year over the next several years. The Town has actively worked with legislators, the County of San Mateo, and the Town’s lobbyist to keep these revenues intact for the Town.²⁴

²⁴ Communication with Town of Hillsborough, 10/16/2023

Pension Liability & Other Employment Benefits (OPEB)

The California State Auditor found that, as of June 30, 2021, the Town’s risk for meeting current and future pension commitments as well as OPEB obligations was low to medium but high risk for OPEB funding. However, in FY 18-19 and FY 19-20, the Hillsborough City Council approved funding of \$4.8 million into a pension trust fund to minimize the impact of future increased pension contributions on the budget.

The Town’s net pension liability as of June 30, 2022 was \$18.5M, representing a \$12.2M decrease compared to the prior year, due to a significant CalPERS investment return of 21.3% for FY 20-21. According to the Town’s FY 21-22 Annual Comprehensive Financial Report (ACFR), the reduction will be offset negative investment return from FY 21-22²⁵.

Although the California State Auditor determined that the Town was at high risk in OPEB funding the Town increased its OPEB funded ratio from 40% at the end of FY 20-21 to 60% by end of FY 21-22. During FY 21-22, the Town funded the annual required contribution of \$1.3 million for OPEB and ended the fiscal year with a net OPEB liability of \$8.4M.

- b) Is the organization lacking adequate reserve to protect against unexpected events or upcoming significant costs?

The General Fund reserve policy requires a minimum of 30% of operating expenditures, with a goal of 50% of operating expenditures. The reserve policy exists to protect the Town from revenue volatility, economic recessions, natural disaster or other financial impact. At the end of the fiscal year ending on June 30, 2022, the Town’s General Fund balance was \$31.8M, inclusive of \$15.7M for reserves, which meets the Town’s General Fund Policy requirements.

- c) Is the organization’s rate/fee schedule insufficient to fund an adequate level of service, and/or is the fee inconsistent with the schedules of similar service organizations?

The Finance Department conducts rate studies and public hearings to set rates for utilities and the Master Fee schedule. City Council reviews proposed updates to the master fee schedule annually during a Study Session and adopts the master fee schedule for the upcoming fiscal year, along with the budget, at a noticed public hearing.

The Town operates water and sewer enterprises, and the revenue collected from user rate charges from each enterprise fund the operations, capital improvements and debt service for both water and sewer. The Town increased water and sewer rates effective July 1, 2023 and has budgeted an average 6% increase to water rates in January 1, 2024.

Although the Town has not experienced challenges in raising sewer rates and fees, it has faced two legal challenges over the past decade when trying to raise water rates. This included a lawsuit regarding water rates, Prop. 218 rate setting, and drought penalties for water customers that exceeded a certain amount of water use. The Town and ratepayers agreed to a negotiated settlement that included plaintiff’s attorney fees and customer refunds for water customers who paid Tier 3, 4 or 5 rates for water between June 28, 2015 through April 30, 2017 (“the Refund Period”), based upon the difference between the rate paid for Tiers 3, 4 and 5 and

²⁵ Town of Hillsborough, *FY 2021-22 Annual Comprehensive Financial Report*

\$11.09 per hundred cubic feet during the Rate Stabilization Period (February 10, 2016 through November 16, 2016) and \$9.06 during the rest of the Refund Period. The claims related to the Drought Penalties were dismissed with prejudice²⁶.

The Town recently adopted a new water rate structure that is currently being reviewed by the courts to establish the rates and validate this action.

- d) Is the organization unable to fund necessary infrastructure maintenance, replacement and/or any needed expansion?

Staff has determined that the Town is able to fund most of the necessary infrastructure, maintenance, replacement and/or needed expansion. As described above, the Town is aware of the need to fund capital improvements to the aging storm drain system that is approaching the end of its useful life. Although there is currently no dedicated source of funding for storm drain improvements, Town is considering implementing a stormwater fee to fund these improvements.

- e) Is the organization lacking financial policies that ensure its continued financial accountability and stability?

The Town of Hillsborough has adopted several financial policies to help guide financial planning and promote long-term fiscal health, including Budget and Fiscal Policies, a Purchasing Policy and Investment Policy. The Budget and Fiscal Policies cover a range of areas such as, financial reporting, budget administration, reviewing and updating enterprise fund fees and rates, investments, capital improvement management, debt management, fund balance and reserves, and contracting. The Town's Budget and Fiscal Policies were last updated in 2011.

- f) Is the organization's debt at an unmanageable level?

For the fiscal year ending June 30, 2022, the Town had total long-term debt outstanding of \$52.4 million, excluding compensated absences, pension and OPEB liabilities. In addition, the Town contributed \$3,848,454 to CalPERS plans and employees contributed \$1,002,738.

The Town has implemented several strategies over the years to mitigate the long-term cost of pensions including paying off \$9.9 million of side funded liabilities; requiring employees to pay a share of the employer's contribution; implementing an additional tier with a lower pension formula for miscellaneous plan employees; replacing employees who have retired with employees who are on the PEPR plan where applicable; and adopting and funding a \$115 pension trust. The Town stated that it prefunds the actuarial liability with its funding policy to contribute contributions sufficient to pay the current year's retiree premiums and plan expenses, with an additional amount to pre-fund benefits as determined by the Town's actuary on a biennial basis²⁷.

²⁶ Communication with the Town of Hillsborough, 09/08/2023

²⁷ Communication with the Town of Hillsborough, 07/07/2023

Financial Ability MSR Determination:

The California State Auditor has a risk indicator for the fiscal health of California cities. In FY 20-21, the Town of Hillsborough had a score of 85.7 out of 100 points (higher is better) and on a rating scale of “low”, “moderate”, and “high” risk, the City of Hillsborough is classified as “low risk”. OPEB funding was the Town’s key financial issue.

The Town adopts an annual budget and contracts with an independent certified public accountant to prepare the Town’s annual audit. In its most recent audit for the year ending on June 30, 2022, the audit noted that the Town’s total net position increased 11% to \$97M and its general fund balance also increased to \$31.8M, inclusive of \$15.7M for reserves. Although long-term liabilities increased \$3M from the prior year, it decreased its net pension liability by \$12.2M that same year.

The Town’s Finance Department updates its Master Fee schedule annually and conducts rate studies every few years. The Town has not experienced challenges in raising sewer rates and fees, but it has faced two legal challenges in the past decade when attempting to raise water rates and fees. This included a lawsuit regarding water rates, Prop. 218 rate setting, and drought penalties for water customers that exceeded a certain amount of water use. The Town and ratepayers agreed to a negotiated settlement that included customer refunds for those that paid drought water use penalties. The Town recently adopted a new water rate structure that is currently being reviewed by the courts to establish the rates and validate this action.

For the fiscal year ending June 30, 2022, the Town had total long-term debt outstanding of \$52.4 million, excluding compensated absences, pension and OPEB liabilities. In addition, the Town contributed \$3,848,454 to CalPERS plans and employees contributed \$1,002,738.

The Town has implemented several strategies over the years to mitigate the long-term cost of pensions including paying off \$9.9 million of side funded liabilities; requiring employees to pay a share of the employer’s contribution; implementing an additional tier with a lower pension formula for miscellaneous plan employees; replacing employees who have retired with employees who are on the PEPR plan where applicable; and adopting and funding a \$115 pension trust.

Recommendations:

1. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements. LAFCo staff recommends conducting an analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

5) Shared Service and Facilities

| Status of, and opportunities for, shared facilities | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts. | X | | |
| b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized? | | | X |
| c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources? | | | X |

Discussion:

- a) Is the agency currently sharing services or facilities with other organizations? If so, describe the status of such efforts.

The Town is engaged in the following service shared agreements, which are discussed in greater detail in the *Capacity and Adequacy of Public Facilities and Services* section:

- The Hillsborough Police Department contributes staff and receives services from the San Mateo County Gang Task Force, the County Vehicle Theft Task Force, the County Saturated Traffic Enforcement Program (STEP), and the Northern San Mateo County Regional SWAT team. Training facilities are shared with the College of San Mateo, the Hillsborough School District, City of Burlingame, CCFD and other Town departments.
- The Town’s Fleet maintenance is contracted out to a private provider, which has resulted in cost savings and a reduction in staff time dedicated to fleet needs.
- Library services are provided to Hillsborough residents via an agreement with the Cities of Burlingame and San Mateo.
- Animal control is provided by Peninsula Humane Society via a contract administered by the County.
- Solid waste services are provided by South Bayside Waste Management Authority (SBWMA), also known as ReThink Waste, a JPA with the County and 10 Cities. Recology is the recycling, compost and solid waste collected contracted service provider.
- Fire and emergency medical services are provided by CCFD, a JPA that merged the fire departments of the Town of Hillsborough and City of Burlingame.

- b) Are there any opportunities for the organization to share services or facilities with neighboring or overlapping organizations that are not currently being utilized?

Staff has not identified additional opportunities for the Town of Hillsborough to share services or facilities with neighboring or overlapping organizations.

- c) Are there governance options to allow appropriate facilities and/or resources to be shared, or making excess capacity available to others, and avoid construction of extra or unnecessary infrastructure or eliminate duplicative resources?

Staff has not identified any governance options that would allow for additional facility or resource sharing, make excess capacity available to others, or avoid duplication of resources.

Shared Services MSR Determination:

The Town of Hillsborough partners with other organizations to share project costs and services with other governments. It shares services through being a member of several JPAs, including with the Central County Fire Department and South Bayside Waste Management Authorities. LAFCo has not identified additional opportunities for the Town to share services or facilities with neighboring over overlapping organizations.

6) Accountability, Structure and Efficiencies

| Accountability for community service needs, including governmental structure and operational efficiencies | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act? | | | X |
| b) Are there any issues with staff turnover or operational efficiencies? | | | X |
| c) Is there a lack of regular audits, adopted budgets and public access to these documents? | | | X |
| d) Are there any recommended changes to the organization’s governance structure that will increase accountability and efficiency? | | | X |
| e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies? | | | X |
| f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices? | | | X |

Discussion

- a) Are there any issues with meetings being accessible and well publicized? Any failures to comply with disclosure laws and the Brown Act?

The Town of Hillsborough website includes information about the City Council and its Boards and Committees, including composition and term length, meeting schedule, public hearing notices, agendas and meeting minutes. The City Council page also includes a *Guide to City Council Meetings* that outlines information about the City Council and various Boards and Committees and includes a vocabulary list of common terms residents can expect to hear in a public meeting. LAFCo is not aware of any Town failures to comply with disclosure laws or the Brown Act.

The Town is not aware of any failures to comply with disclosure laws and the Brown Act within the past five years but acknowledged that there were allegations regarding the Brown Act and disclosure under conflict-of-interest laws during discussions about a wireless project that garnered opposition from a resident group²⁸. The resident group filed two lawsuits against the Town, one of which was voluntarily dismissed by the resident group in 2020. The second lawsuit was also voluntarily dismissed after a negotiated settlement.

- b) Are there any issues with staff turnover or operational efficiencies?

The Town's staffing levels have either increased or stayed the same over the past five years. There are currently 97 employees at the Town of Hillsborough. The Town has been able to maintain operations with a stable workforce due to investments in leadership, training, technology and an annual goal setting exercise to set the priorities for the coming year.

- c) Is there a lack of regular audits, adopted budgets and public access to these documents?

The Hillsborough City Council regularly adopts an annual budget and accepts an Annual Comprehensive Financial Reports at noticed public hearings. Both documents are available on the Town website. In addition, the Town has received the GFOA Excellence in Budgeting and the Certificate of Achievement for Excellence in Financial Reporting for the past 19 years²⁹.

- d) Are there any recommended changes to the organization's governance structure that will increase accountability and efficiency?

LAFCo has not identified any changes to Town's governance structure that will increase accountability or efficiency.

- e) Are there any governance restructure options to enhance services and/or eliminate deficiencies or redundancies?

LAFCo has not identified any changes to Town's governance structure that will enhance services or eliminate deficiencies.

²⁸ Communication with the Town of Hillsborough, 07/07/2023

²⁹ Communication with the Town of Hillsborough, 07/07/2023

- f) Are there any opportunities to eliminate overlapping boundaries that confuse the public, cause service inefficiencies, unnecessarily increase the cost of infrastructure, exacerbate rate issues and/or undermine good planning practices?

The Town of Hillsborough’s sphere of influence is coterminous of the Town Boundaries of 1985 and does not overlap with any special districts or other service providers. LAFCo has not identified any opportunities to eliminate overlapping boundaries.

Accountability, Structure, and Efficiencies MSR Determination:

The Town of Hillsborough complies with disclosure laws and the Brown Act and ensures that public meetings are accessible and well publicized. Adopted budgets and annual budgets are available on the Town Website. The Town did not report any issues with staff turnover or operational efficiencies. There are no recommended changes to the organization’s governmental structure or operations that will increase accountability and efficiency.

7) Other

| Any other matter related to effective or efficient service delivery, as required by commission policy. | <i>Yes</i> | <i>Maybe</i> | <i>No</i> |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------|--------------|-----------|
| a) Are there any other service delivery issues that can be resolved by the MSR/SOI process? | | X | |
| b) Water Resiliency and Climate Change | | | |
| i) Does the organization support a governance model that enhances and provides a more robust water supply capacity? | X | | |
| ii) Does the organization support multi-agency collaboration and a governance model that provide risk reduction solutions that address sea level rise and other measures to adapt to climate change? | X | | |
| c) Natural Hazards and Mitigation Planning | | | |
| i) Has the agency planned for how natural hazards may impact service delivery? | X | | |
| ii) Does the organization support multi-agency collaboration and a governance model that provides risk reduction for all natural hazards? | X | | |

Discussion:

- a) Are there any other service delivery issues that can be resolved by the MSR/SOI process?

While not a service delivery issue, there are several parcels in the El Cerrito Avenue and Ranelagh Road area that are split by the Town of Hillsborough – City of San Mateo city boundary line (Attachment B). In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows parcel boundaries.

There are no other issues that LAFCo has identified through the MSR/SOI process.

- b) Water Resiliency and Climate Change

The Town of Hillsborough has taken action to ensure a robust water supply and engages in multi-agency collaborations to address risks associated with sea level rise and climate change.

The Town joined the International Council for Local Environmental Initiatives (ICLEI) Cities for Climate Protection to work collaboratively to reduce greenhouse gas (GHG) emissions. Through this collaboration, the town completed a greenhouse gas inventory which provides an analysis of the transportation, residential, municipal, and solid waste sectors and their GHG emissions. The Sustainable Hillsborough Task Force identified GHG emission reducing program and policies, which were then included in the Town’s Climate Action Plan.

In 2010, the Town of Hillsborough adopted a Climate Action Plan to assist the Town in achieving its emission reduction and sustainability goals in an effort to meet the requirements of Assembly Bill 32. The Plan includes 4 strategies to guide program and policy recommendations in the areas of energy efficiency, water conservation and green building; education and promotion; waste reduction and recycling; and municipal operations through 2020. As part of its General Plan Update process, the Town will update its Climate Action Plan in the next two years. The Hillsborough City Council has the authority to declare a water shortage and establish corresponding conservation measures.

As discussed in the *Capacity and Adequacy of Public Facilities and Services* section, the Town of Hillsborough is in compliance with the Water and Conservation Act of 2009 and has developed a Water Shortage Contingency Plan in 2021 to prepare for and respond to future water shortages³⁰. The Plan outlines the Town’s phased response to water shortages that progresses depending on severity from voluntary rationing to mandatory rationing and penalties to limiting water use to public, health and safety purposes only. Movement between each phase is preceded by a City Council public hearing.

In addition, the Town participates in the Bay Area Water Supply and Conservation Agency (BAWSCA) and cooperates in regional efforts to reduce water usage during drought years.

- c) Natural Hazards and Mitigation Planning

³⁰ Town of Hillsborough, *2020 Water Shortage Contingency Plan*

Approximately 70% of the Town is within the Wildland Urban Interface (WUI) zone and is at a greater risk for wildfire. The Town encourages best practice actions for all properties, including defensible space parameters for residences and other buildings, and a comprehensive periodic wildfire abatement inspection program has been instituted for properties within the WUI zone. The Town also partners with Firewise, a community-based fire prevention and education organization that works with residents on fuel reduction projects and ensures that the community maintains the necessary activities to maintain “Firewise” certification³¹.

In addition, the Town participates in the multi-jurisdictional Hazard Mitigation Plan for San Mateo County and is a member of One Shoreline, previously known as the San Mateo County Flood and Sea Level Rise Resiliency District.

Other MSR Determination:

Although not a service delivery issue, there are several parcels in the El Cerrito Avenue and Ranelagh Road that are split by the Town of Hillsborough – City of San Mateo city boundary line. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows parcel boundaries. The Town is engaged in activities to address natural hazard mitigation and sea level rise for residents, businesses, and infrastructure.

Recommendations:

1. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows the above-mentioned parcel boundaries that are currently split by the Hillsborough-San Mateo boundary line.
2. LAFCo encourages the City to continue its work in the areas of natural hazard mitigation and sea level rise and continue to coordinate with partner agencies.

Section 5. Sphere of Influence Review and Update

Determinations

Section 56425 requires the Commission to make determinations concerning land use, present and probable need for public facilities and services in the area, capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide, and existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency. These include the following determinations:

1. **The present and planned land uses in the area, including agricultural and open space lands.**

Hillsborough’s current SOI is coterminous with the Town’s boundaries. There are 259 acres of open space lands and no agricultural lands in the study area.
2. **The present and probable need for public facilities and services in the area.**

³¹ Communication with the Town of Hillsborough, 07/07/2023

The Town’s facilities and services meet the current need of the area, and the Town anticipates that it will be able to adequately provide facilities and services for the projected growth that may occur within its boundaries.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The Town is anticipated to be able to meet service demands of foreseeable growth with project infrastructure improvements and other mitigation measures. The Town routinely adopts a CIP for its infrastructure and facilities.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The Town’s boundaries are coterminous with its SOI, and there are no social or economic communities of interest in the area.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the Sphere of Influence for the Town of Hillsborough is being proposed at this time.

On the basis of the Municipal Service Review:

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update is NOT NECESSARY in accordance with Government Code Section 56425(g). Therefore, NO CHANGE to the agency’s SOI is recommended and SOI determinations HAVE NOT been made.

Staff has reviewed the agency’s Sphere of Influence and recommends that a SOI Update IS NECESSARY in accordance with Government Code Section 56425(g). Therefore, A CHANGE to the agency’s SOI is recommended and SOI determinations HAVE been made and are included in this MSR/SOI study.



HILLSBOROUGH SPHERE OF INFLUENCE

Appendix A. Town of Hillsborough Fact Sheet

City Manager: Doug Davis

Address: 1600 Floribunda Ave., Hillsborough, CA 94010

Email Address: DDavis@hillsborough.et

Phone Number: 650-375-7753

Date of Incorporation: May 5, 1910

City Councilmembers:

| Councilmember | Term Expiration Date |
|-------------------------|-----------------------------|
| Christine Krolik, Mayor | December 2024 |
| Sophie Cole, Vice Mayor | December 2024 |
| Marie Chuang | December 2026 |
| Leslie Marden Ragsdale | December 2026 |
| Alvin L. Royse | December 2024 |

Councilmember Compensation: Councilmembers do not receive direct compensation for serving on Council but are eligible to receive health insurance coverage while serving on the Council. Actual benefit coverage is dependent upon participation in the benefits program, which is voluntary and has been declined by many of the City Council members, as well as the level of enrollment (member only, member +1, member + family). The maximum potential benefit for medical insurance is the Blue Shield family rate – rates shown below are the highest current benefits being paid for participating Council members³².

| Available Benefits (2023) | Amount |
|----------------------------------|---------------|
| Medical | \$2,661.44 |
| Dental | \$109.00 |
| Vision | \$15.00 |

Public Meetings: The City Council meets regularly on the second Monday of each month at 6pm in the Council Chambers at Town Hall, 1600 Floribunda Avenue.

Services Provided: Water, sewer, police, streets & storm drains, street lighting. Fire protection, emergency medical services, animal control, electricity, natural gas, solid waste collection and disposals, some street lighting, library services and recreation are provided via service agreements or JPAs.

Population: 11,418 (2020)

Number of Personnel: 97 FTE

³² <https://www.hillsborough.net/144/City-Council>

MSR– Town of Hillsborough

Sphere of Influence: Coterminous with Town Boundaries of 1985

Budget: \$76.6 Million (FY 2023-24 Adopted Budget)

Appendix B. References

1. California State Auditor, Local Government High Risk Dashboard,
https://www.auditor.ca.gov/local_high_risk/lhr-main-landing
2. Town of Hillsborough MSR response letters



TOWN OF HILLSBOROUGH
California

July 7, 2023

Sofia Recalde
Management Analyst
San Mateo LAFCo
455 County Center, 2nd Floor
Redwood City, CA 94063

Via email to srecalde@smcgov.org

Subject: Request for Information for the Town of Hillsborough Municipal Service Review and Sphere of Influence Update

Attached please find the Town of Hillsborough's response to LAFCo's Request for Information for the Town of Hillsborough Municipal Service Review and Sphere of Influence.

Sincerely,

A handwritten signature in blue ink, appearing to be "DD", is written over a horizontal line.

Doug Davis
Interim City Manager

Attachment

Capacity and Adequacy of Public Facilities and Services

1. Please provide the year that each existing police and fire station was constructed.

Police:

- Hillsborough Police Department, 1600 Floribunda Avenue, built 1992

Fire:

- Hillsborough Fire Station 32, 330 Ascot Road, built 1982
- Hillsborough Fire Station 33, 835 Chateau Drive, built 1952

2. Please provide beat/service maps for police and fire services.

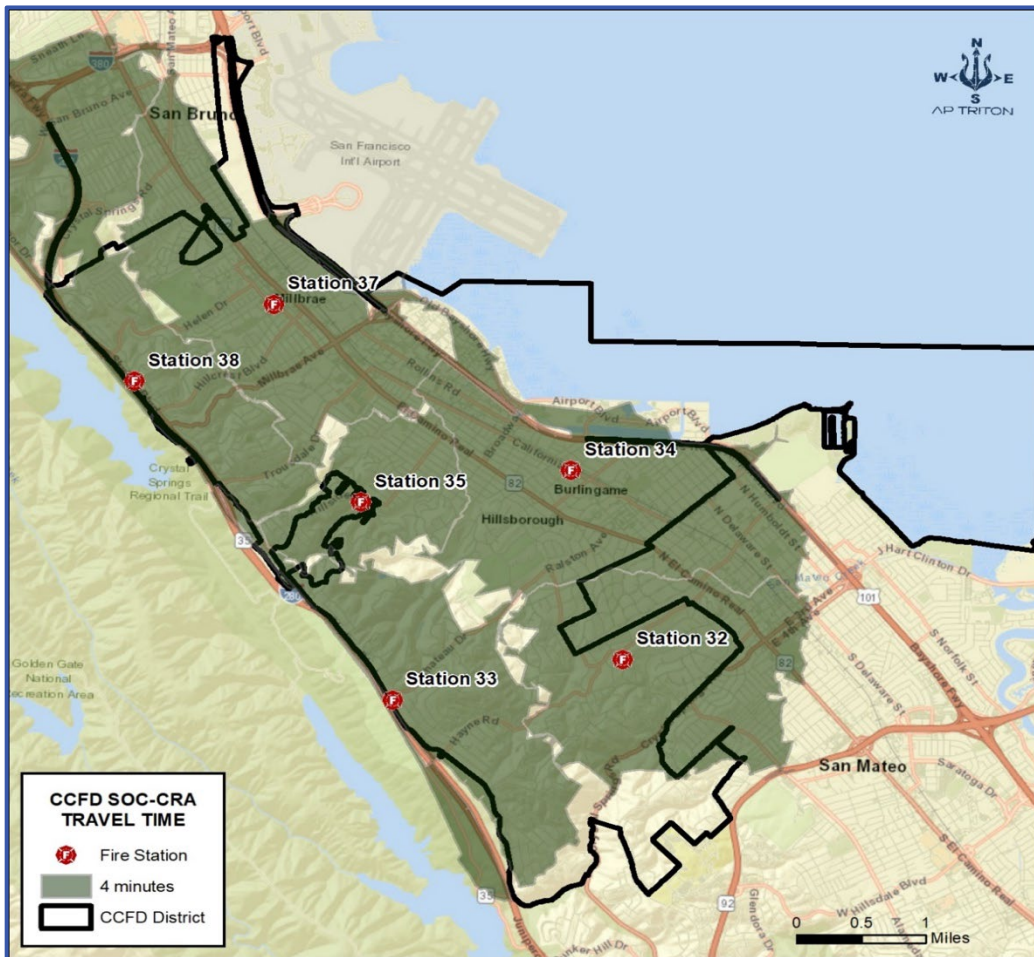
Police: See Attachment 1.

Fire:

Central County Fire Department: Jurisdictional Boundary



Projected CCFD 4-Minute Travel Times from Stations



3. Housing element projects 15% housing increase. How is the Town preparing for the impact on this potential growth on municipal services? 

The Town has started the process for upgrading the permit software program to help with application and project tracking. This will help staff provide the needed reporting to the State for the Cycle 6 Housing Element. The Building and Planning Department is adding three new full-time employees to assist with the anticipated increase in applications.

4. Does the Town anticipate any changes in state regulations on the horizon that will require significant facility and/or infrastructure upgrades?

The Town is always tracking legislation from the State to anticipate potential impact to residents, staff, and Town-wide operations.

5. Is there adequate staffing and facilities to meet demand for park and rec programs?

The Hillsborough Recreation Department is a Joint Powers Agreement between Hillsborough City School District (HCSD) and the Town of Hillsborough. Originally founded in 1979, Hillsborough Recreation serves the Hillsborough community in multiple facets including middle school sports, preschool, afterschool, summer, and adult programming, as well as facility management.

Hillsborough Recreation's leadership structure includes its executive director, the Superintendent of the Hillsborough City School District, and the Recreation Director. The Hillsborough Recreation Commission consisting of five-members: two town council representatives, two school board trustees, and one community at-large commissioner, provides policy oversight.

6. Please characterize the existing relationship with the Central County Fire Department. Does the Town anticipate any changes to the structure of the JPA or to services provided to the Town by the JPA in the near term?

The Central County Fire Department (CCFD) was established through a Joint Powers Agreement (JPA) between the City of Burlingame and the Town of Hillsborough with essential support services provided by the two cities. This partnership and JPA structure promotes more efficient administration and effective delivery of services without the additional overhead of a completely independent JPA agency.

The Department is governed by a Board of Directors ("Board") consisting of two representatives from each city, representing the cities in determining the level of fire, emergency medical and disaster preparedness services to be provided by the Department. All major decisions by the Board require ratification by the respective city councils. The model, together with the joint budget provides an effective tool in maximizing the delivery of fire services, controlling costs, and maintaining local control in determining service levels.

The Town of Hillsborough does not anticipate any changes to the structure of the JPA or to the service provided to the Town of Hillsborough by the JPA in the near future. The JPA provides contract fire services to the City of Millbrae.

7. What is the current ISO rating for the Central County Fire Department for Hillsborough?

The current ISO rating for the Central County Fire Department for the Town of Hillsborough is 2.

Financial Ability

1. Has the Town experienced any challenges in raising rates or fees?

The Town has had no challenges in raising sewer rates and fees and charges. The Town has had challenges on its water rates.

Class Action. On November 8, 2016, water customers, individually and on behalf of all other water customers in the Town, filed a Class Action Complaint and Petition for Writ of Mandate against the Town in the Superior Court of California for the County of San Mateo (the “Court”) as Case No. 18C1V02284 (the “Action”). In the Action, Petitioners challenged Ordinance No. 725, which was adopted by the Town and went into effect on June 9, 2015, and established a scheme of water rationing for water customers in the Town (the “Drought Penalty Ordinance”), and Ordinance No. 731, which was adopted by the Town and went into effect on February 1, 2016, and, in part, established new water rates for residential water users (the “Rate Ordinance”). Petitioners contended the following: (a) the Drought Penalty Ordinance violated the procedural and substantive requirements of Proposition 218; (b) the Rate Ordinance did not comply with Proposition 218; and (c) the water rates in effect prior to the adoption of Ordinance No. 731 also did not comply Proposition 218 (collectively, the “Claims”).

The Court approved a Ratepayer Class made up of “all residential water service customers of the Town of Hillsborough who have paid in excess of Tier 2 in a billing cycle during the time period from June 28, 2015 through April 30, 2017” and a Drought Penalty Class made up of “all residential water service customers of the Town of Hillsborough, who were assessed and paid penalties pursuant to Town of Hillsborough Ordinance No. 725, and exhausted their administrative remedies.” Thereafter, the parties participated in mediation and negotiated a settlement which had to be approved by the Court.

Under the terms of a Settlement Agreement (the “Settlement Agreement”), the Town agreed to establish a Settlement Fund in the amount of \$1,229,329 which includes \$779,329 designated for customer refunds (the “Refund”) to water customers in the Town who paid for water at Tier 3, 4, and 5 rates during the nearly two years spanning June 28, 2015 through April 30, 2017 (the “Refund Period”); and an additional \$450,000 for Plaintiffs’ attorneys’ fees, costs, and Class Representative Service awards. The Class represented 3,083 class members. Water customers who paid domestic water rates during the Refund Period had the right to opt out of the settlement class. Ultimately, 17 persons opted out of the settlement, which represented \$7,942.62 of the total Refund. These funds, as well as any unclaimed refund checks, will go to the established cy pres fund.

In exchange for the settlement benefits, the Class Members released all rights, claims, and actions they and any of the Class Members now have, or may have in the future, against the Town arising out of, or relating to, the facts and circumstances giving rise to the Action or Claims, or arising out of, or relating to, those water rates, drought penalties, and fines imposed pursuant to Ordinance No. 725 and 731. Both the tiered rate claims and drought penalty claims have been dismissed, and the Court approved the Settlement Agreement on April 5, 2023.

Validation Action. On November 14, 2022, the Town adopted Resolution No. 22-83, which established a new rate structure for water service charges. Resolution No. 22-83 took effect immediately but provides that the adopted maximum rates will not be implemented until at least July 1, 2023. Pursuant to Government Code Section 53759, on March 7, 2023, the Town filed an

action in the Superior Court of California, County of San Mateo to determine the validity of Resolution No. 22-83 under California's validation statutes. Consistent with the validation statutes, the complaint names all interested persons as the defendants, and service thereon was affected by publication of the summons in the San Mateo Daily Journal on March 29, 2023, April 5, 2023, and April 12, 2023. Under the validation statutes, any interested person had until May 1, 2023, to appear in the action and contest the validity of the Resolution. On May 1, 2023, an answer was submitted to the Town's complaint contesting the validity of the water rates adopted on November 14, 2022, generally claiming the Town cannot satisfy its burden of showing compliance with Proposition 218. A case management conference has been scheduled for July 13, 2023, at which time the Court is expected to set a hearing/trial date on the validation complaint. Under the validation statutes, the lawsuit is entitled to preference over all other civil actions for purposes of setting the hearing/trial date. Until such determination, the Town's current water rate structure will remain in place.

A final judgment in the action will be forever binding and conclusive as to the validity of Resolution No. 22-83. The Town cannot predict the effect any such hearing/trial may have on the water rate structure under Resolution No. 22-83, nor can it predict the outcome of any such hearing/trial.

2. Please provide copies of any adopted financial policies.

The policies are available on the Town website as follows:

Purchasing Policy <https://www.hillsborough.net/DocumentCenter/View/3284/408---Purchasing-PDF>

Budget and Fiscal Policies <https://www.hillsborough.net/DocumentCenter/View/3286/409---Fiscal-PDF>

Investment Policy <https://www.hillsborough.net/DocumentCenter/View/3287/410---Investments-PDF>

All Town policies are available at <https://www.hillsborough.net/216/Personnel-Policies>

3. What are the Town's current payments to CalPERS? What is the employee's portion of the CalPERS liability?

For Fiscal Year End June 30, 2022 audited financial statements, the Town contribution to CalPERS plans was \$3,848,454 and the employee's contribution was \$1,002,738.

4. How has the Town addressed unfunded pension liability costs now and in the near future?

The Town has implemented several strategies over the years to mitigate the long-term cost of pensions including 1) Paying off \$9.9 million of side fund liabilities, 2) Collaborating with employees to pay a share of the employer's contribution, 3) Implementing an additional tier with a lower pension formula for miscellaneous plan employees, 4) Replacing employees who have retired with employees who are on the PEPPA plan where applicable, and 5) Adopted and funded a Section 115 pension trust. The trust balance (now approximately \$5 million) and the earnings thereon are used to pay for the future rising pension costs.

5. How has the Town addressed OPEB costs to date and what is planned for the near future?

The Town prefunds the actuarial liability with its funding policy to contribute contributions sufficient to pay the current year's retiree premiums and plan expenses, with an additional amount to pre-fund benefits as determined by the Town's actuary on a biennial basis.

6. What has been the staffing level over the last 5 years for the Town?

FY 2022-23 = 94, FY 2021-22 = 91, FY 2020-21= 91, FY 2019-20= 89, FY 2018-19= 88.

7. What is the compensation for Town Council and appointed board members? Do they receive any benefits?

There is no compensation for City Council and appointed board members. Health, dental and vision benefits are offered to City Councilmembers.

8. Does the Town anticipate any budget challenges in the foreseeable future?

The Town recently received an AAA rating from Standard and Poor's with the issuance of the Revenue Refunding Bonds Series 2023 in the Enterprise Funds. The long-range projection in the FY 2023-24 Adopted Budget indicates that the General Fund reserves will be within policy levels, based on a current set of assumptions and conditions. Details can be found in the budget document on page 43 of the Budget-In-Brief and page 133 of the Extended Financial Projection at hillsborough.net/ArchiveCenter/ViewFile/Item/1629

Shared Services and Facilities

1. Has the Town pursued other shared services or considered consolidation with other providers (i.e. 911 dispatch, training facilities, fleet maintenance, use of Hillsborough School District facilities)?

The Hillsborough Police Department actively engages in shared services, shared equipment, and regional partnerships with allied agencies in San Mateo County. We contribute staff and receive services from the San Mateo County Gang Task Force, The San Mateo County Vehicle Theft Task Force, San Mateo County STEP (saturated traffic enforcement program), and the Northern San Mateo County Regional SWAT Team. We also contribute staff to the United States Secret Service Cybercrimes Task Force and the Internet Crimes Against Children (ICAC) Regional Task Force. Our contributions with the federal task force groups have resulted in the acquisition of state-of-the-art digital forensic technology and specialized training at no cost to the Town of Hillsborough.

We have the capability and have shared dispatch services virtually and in-person when needed for emergencies or in the event of any IT failure or maintenance operations. We utilize shared training facilities with the College of San Mateo (Police Academy), our School District, City of

Burlingame (EOC Operations), Central County Fire Department (as noted below), as well as other Town departments.

The Town's Fleet Maintenance is contracted out to a private provider that is the leader in public safety fleet maintenance in the bay area (Priority One – San Carlos). The result of contracting out our fleet maintenance operations has been a financial savings as well as a substantial reduction in staff time attributed to fleet needs.

Central County Fire Department (CCFD)/Hillsborough shared service agreements:

- Joint Powers Agreement with Burlingame and Hillsborough
- Agreement between Central County Fire Department and the City of Millbrae for Fire and Emergency Service.
- Agreement with the San Mateo County Pre-Hospital Emergency Medical Service Group to be a designated Paramedic First Response Service Provider. This includes Fire 911 Dispatch.

Accountability, Structure, and Efficiencies

1. Are there any issues with staff turnover or operational efficiencies?

The Town has maintained operations with a relatively stable workforce. Key positions being recruited for are the Building & Planning Director position and the Human Resources Manager position.

The Town maintains strong operational efficiencies due to its investment in training, leadership, technology and a robust annual goal-setting process to set the priorities for the year. Examples of operational excellence include the Town maintaining the lowest crime record for cities greater than 10,000 population for more than 15 years and receiving the GFOA Excellence in Budgeting and the Certificate of Achievement for Excellence in Financial Reporting for 19 years.

2. Have there been any failures to comply with disclosure laws and the Brown Act within the last five years?

The Town of Hillsborough does not believe there has been any failure to comply with disclosure laws and the Brown Act within the last five years. There have been various allegations made against the Town in 2020 and 2021 regarding the Brown Act and disclosure under conflict of interest laws as it relates to a wireless project within the community that garnered widespread opposition from a resident group in Town. The resident group filed two lawsuits against the Town on these issues. To date, one lawsuit filed in 2020 was voluntarily dismissed by the resident group, and a second lawsuit filed in 2021 was also voluntarily dismissed after negotiated settlement. The Town successfully reduced the number of claims alleged by the resident group through litigation which likely lead to the dismissal of the various lawsuits filed by the resident group.

Other

1. What actions has the Town taken regarding potential sea level rise and climate change? Has the Town constructed any stormwater systems to help address runoff?

Sea Level Rise. The Town is not directly in a zone that would be impacted by sea level rise within city limits. However, neighboring cities would be impacted if the San Francisco Bay rises. The Town is contributing to the San Mateo Sea Level Rise project to support efforts in the County.

Stormwater System. In addition, the Town has a comprehensive Storm Drain Master Plan for improving the stormwater systems. It is a multi-year plan with \$55 million in projects. Projects are ranked by severity and the Town has completed all high priority and some medium priority projects to date. As part of our Stormwater Plan and in coordination with the San Mateo County Storm Water Program and The Municipal Regional Permit (MRP), all new homes that are constructed must be built according to the guidelines of the MRP. This would include detaining stormwater on site in underground systems, and reducing the net runoff from project sites.

Drought. The City Council has the authority to declare a water shortage and establish corresponding mandatory conservation measures. The Town classifies the severity of the water shortage using stages, designated 1 to 4, each of which corresponds to the relative degree to which the Town water supply is likely to be reduced. The Town implemented automated smart irrigation meters and utilizes the WaterSmart portal for customers and staff to be alerted about water leaks, and to aid in monitoring and managing water usage.

2. What actions has the Town taken regarding the impacts of natural hazards in the Town?

The Town, like all California communities, may be subject to unpredictable seismic activity, fires, flood, or other natural disasters. Seismic activity represents a potential risk for damage to buildings, roads, bridges, and property within the Town. In addition, land susceptible to seismic activity may be subject to liquefaction during the occurrence of such event.

Approximately 70% of the Town is within the Wildland Urban Interface (WUI) zone. Communities like the Town are at a greater risk for wildfire and have taken preventative measures to eliminate hazard and reduce risks. The Town encourages best practice actions for all properties, including defensible space parameters for residences and other buildings, and a comprehensive periodic wildfire abatement inspection program has been instituted for properties within the WUI zone. The Town also partners with Firewise, a community-based fire prevention and education organization that works with residents on fuel reduction projects and ensures that the community maintains the necessary activities to maintain “Firewise” certification.

HPD Beats

Updated: **January 7, 2009**

The Hillsborough Police Department maintains two patrol beat configurations. These configurations provide a built-in flexibility to address the need for services based on available units.

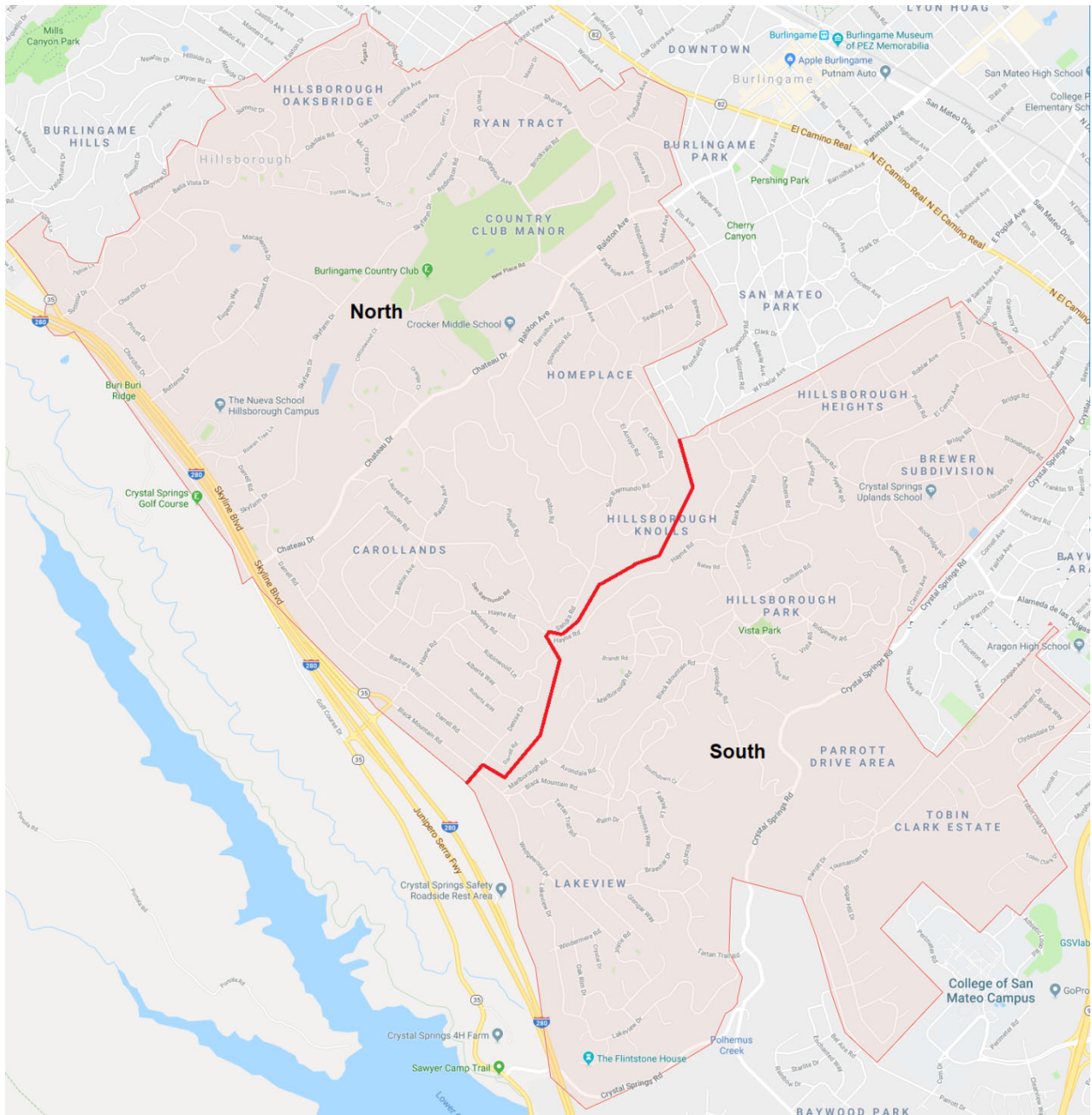
Beat configurations begin with a two beat system. This is used where a shift consists of two patrol officers, a sergeant, and/or a corporal. This allows the town to be geographically split in half, approximately 3.46 square miles for the north beat and approximately 3.16 square miles for the south beat. Depending on the Sergeant's assignments during the shift, the corporal may be assigned a beat resulting in the dispatcher utilizing the three beat system. The three beat system is primarily used when a shift consists of three patrol officers, a sergeant, and/or a corporal. This allows the town to be geographically split into thirds, approximately 2.57 square miles for the north beat, approximately 2.06 square miles for the south beat, and approximately 1.99 square miles for the west beat.

Since some homes within Hillsborough fall within different beats based on the varying beat configurations, each premise within RIMS is configured to display both beat designators. The first beat designator is used when operating with the two beat system and the second beat designator is used when operating with the three beat system.

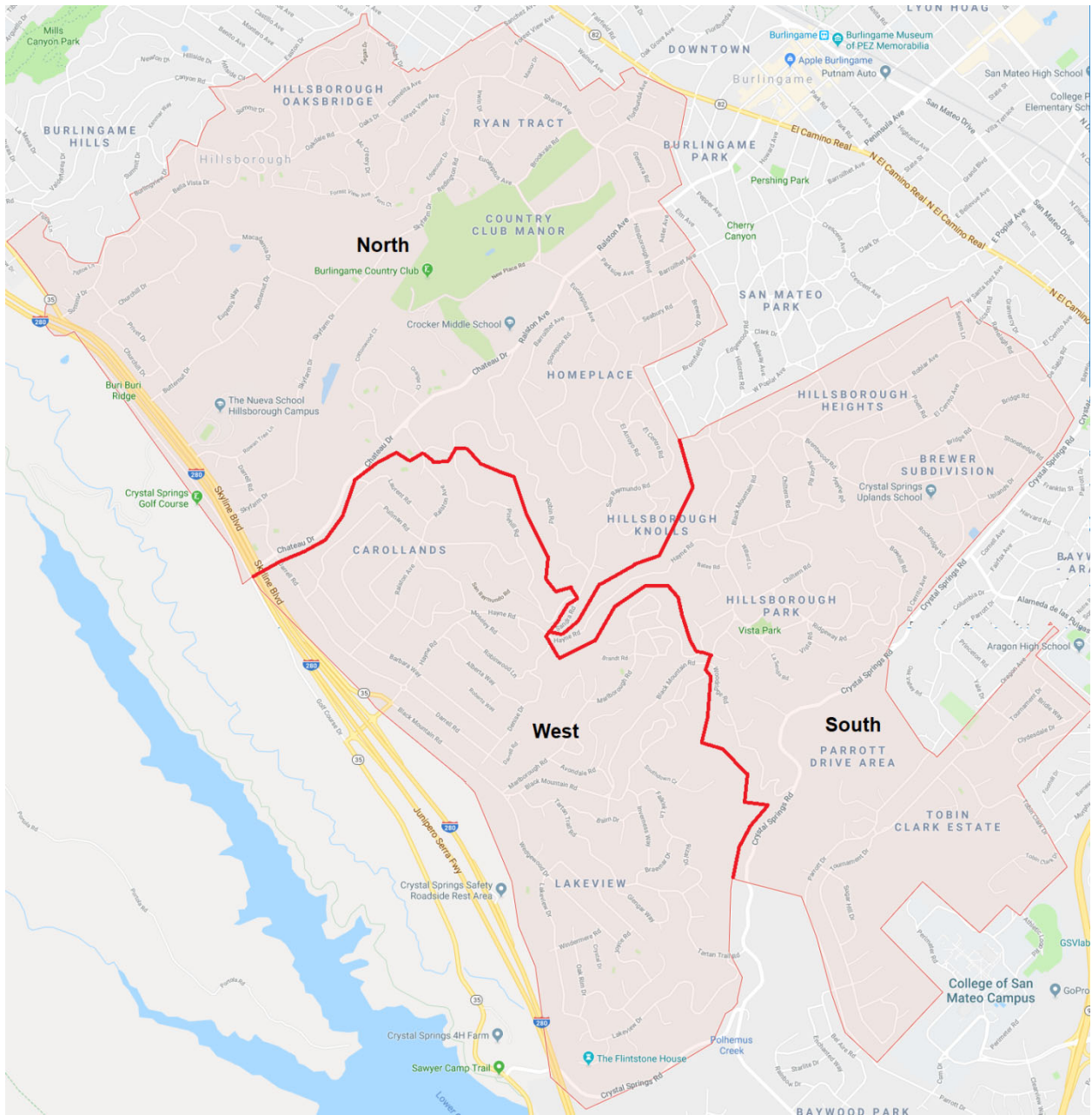
N – W

Two Beat System Three Beat System

| Beat | Two Beat System | Three Beat System |
|--------------|-------------------------|--------------------------|
| N - N | North | North |
| S - S | South | South |
| N - W | North | West |
| S - W | South | West |
| XTRA | Rove | Rove |
| WC | Watch Commander | Watch Commander |
| OOH | Outside of Hillsborough | Outside of Hillsborough |



2 Beat



3 Beats

From: [Lisa Natusch](#)
To: [Sofia Recalde](#)
Cc: [Rob Bartoli](#)
Subject: RE: LAFCo mtg & Hillsborough MSR
Date: Monday, October 16, 2023 1:30:03 PM

CAUTION: This email originated from outside of San Mateo County. Unless you recognize the sender's email address and know the content is safe, do not click links, open attachments or reply.

Hi Sofia,

I apologize for the delayed reply to your inquiry. Please see the response below:

Excess ERAF revenue is approximately 8.5% of General Fund revenues and is used to fund the Town's critical, ongoing operations in the General Fund. If this revenue source were to reduce significantly, it would impact operations and projects for key services. The Town's revenue projection reflects an erosion of Excess ERAF revenue of approximately 5 to 6% per year over the next several years. The Town has actively worked with legislators, the County of San Mateo, and the Town's lobbyist to keep these revenues intact for the Town.

Thank you,

Lisa Natusch, MMC
City Clerk
Town of Hillsborough
1600 Floribunda Avenue
Hillsborough, CA 94010
(650) 375-7421

From: Sofia Recalde <srecalde@smcgov.org>
Sent: Monday, October 16, 2023 1:23 PM
To: Doug Davis <DDavis@HILLSBOROUGH.NET>; Lisa Natusch <lnatusch@HILLSBOROUGH.NET>
Cc: Rob Bartoli <RBartoli@smcgov.org>
Subject: RE: LAFCo mtg & Hillsborough MSR

Hi City Manager Davis and Lisa,

I am following up to see if you could respond to the Commission's question regarding the excess ERAF that Hillsborough receives (see highlight below). We would like to incorporate your response into the meeting packet that goes out this Wednesday, so if possible, we would appreciate it if we could get a response before the end of day tomorrow.

Thank you,

Sofia

From: Sofia Recalde

Sent: Thursday, September 21, 2023 11:54 AM

To: DDavis@hillsborough.net

Cc: Lisa Natusch <lnatusch@HILLSBOROUGH.NET>; Rob Bartoli <RBartoli@smcgov.org>

Subject: RE: LAFCo mtg & Hillsborough MSR

Hi City Manager Davis,

The Commission approved the circulation draft of the MSR for the Town of Hillsborough at yesterday's LAFCo meeting, and the final MSR will be scheduled for a special LAFCo meeting on October 25 at 2:30pm. The comment period for the circulation draft MSR is open, and you may submit any additional comments to us by Friday, October 13. In addition, LAFCo staff will be holding a virtual public workshop the first week of October, and you and Town staff are welcome to attend. We will let you know as soon as the date and time have been confirmed.

During yesterday's meeting, the Commission had a question regarding the excess ERAF that Hillsborough receives. As you know, there have been recent attempts to freeze the amount of excess ERAF that agencies receive or even eliminate the funds all together. Has the Town evaluated the potential reduction or loss of excess ERAF and impacts to the Hillsborough's budget? How are excess ERAF funds allocated in the General Fund (ie, are the funds programed for operations, reserve funds, debt service, or other)?

Please let us know if you have any questions.

Thank you,

Sofia

Sofia Recalde
Management Analyst
San Mateo LAFCo
(650) 363-1853
srecalde@smcgov.org

From: Sofia Recalde

Sent: Thursday, September 14, 2023 10:29 AM

To: DDavis@hillsborough.net

Cc: Lisa Natusch <lnatusch@HILLSBOROUGH.NET>; Rob Bartoli <RBartoli@smcgov.org>

Subject: LAFCo mtg & Hillsborough MSR

Dear City Manager Davis,

LAFCo staff will be presenting the circulation draft of the Hillsborough MSR to the Commission at the upcoming LAFCo meeting on September 20th. I have attached the agenda and draft MSR for your review. You are welcome to attend the meeting in person or via Zoom. Meeting details are in the agenda and below.

LAFCo Meeting

September 20, 2023 at 2:30pm

Board of Supervisors' Chambers

Hall of Justice and Records

400 County Center

Redwood City, CA 94063

Zoom: <https://smcgov.zoom.us/j/93703834059>

Pending direction from the Commission, LAFCo staff intends to hold a virtual public workshop on the draft MSR for Hillsborough during the first week of October and will bring the final version back to the Commission for adoption at a Special LAFCo meeting on Wednesday, October 25 at 2:30pm. We will let you know the date of the virtual meeting, and you will have another opportunity to provide edits and feedback on the report before it is finalized.

Please let us know if you have any questions at this time. Thank you.

Best,

Sofia

Sofia Recalde

Management Analyst

San Mateo LAFCo

(650) 363-1853

srecalde@smcgov.org

RESOLUTION NO. 1310

**RESOLUTION OF THE LOCAL AGENCY FORMATION COMMISSION
OF THE COUNTY OF SAN MATEO
MAKING DETERMINATIONS PURSUANT TO GOVERNMENT CODE
SECTION 56430 FOR THE TOWN OF HILLSBOROUGH**

RESOLVED, by the Local Agency Formation Commission of the County of San Mateo, State of California, that:

WHEREAS, the Cortese-Knox-Hertzberg Local Government Reorganization Act of 2000, set forth in Government Code Section 56000 et seq., governs the organization and reorganization of cities and special districts by local agency formation commissions established in each county, as defined and specified in Government Code Section 56000 et seq.,

WHEREAS, Government Code Section 56425 et seq. requires the Local Agency Formation Commission (LAFCo or Commission) to develop and determine the sphere of influence of each local governmental agency within the County; and

WHEREAS, the Commission conducted a Municipal Service Review pursuant to Government Code Section 56430 for the Town of Hillsborough;

WHEREAS, the Executive Officer prepared a written report of the Municipal Service Review that was provided to the Commission and affected agencies; and

WHEREAS, the Executive Officer set a public hearing date for October 25, 2023, for the consideration of the final Municipal Service Review and caused notice thereof to be posted, published and mailed at the times and in the manner required by law at least twenty-one (21) days in advance of the date; and

WHEREAS, the Commission heard and fully considered all the evidence presented at a public hearing held on October 25, 2023; and

WHEREAS, a public hearing by this Commission was held on the report and at the hearing this Commission heard and received all oral and written protests, objections and evidence which were made, presented or filed, and all persons present were given an opportunity to hear and be heard with respect to the proposal and the Executive Officer's report; and

WHEREAS, the Commission is required pursuant to Government Code Section 56430 to make statement of written determinations with regards to certain factors; and

WHEREAS, the Commission is required pursuant to Government Code Section 56425 and local Commission policy to make statement of written determinations with regards to the following factors:

1. The present and planned land uses in the area, including agricultural and open-space lands.

Hillsborough's current SOI is coterminous with the Town's boundaries. There are 259 acres of open space lands and no agricultural lands in the study area.

2. The present and probable need for public facilities and services in the area.

The Town's facilities and services meet the current need of the area, and the Town anticipates that it will be able to adequately provide facilities and services for the projected growth that may occur within its boundaries.

3. The present capacity of public facilities and adequacy of public services that the agency provides or is authorized to provide.

The Town is anticipated to be able to meet service demands of foreseeable growth with project infrastructure improvements and other mitigation measures. The Town routinely adopts a CIP for its infrastructure and facilities.

4. The existence of any social or economic communities of interest in the area if the Commission determines that they are relevant to the agency.

The Town's boundaries are coterminous with its SOI, and there are no social or economic communities of interest in the area.

5. For an update of a sphere of influence of a city or special district that provides public facilities or services related to sewers, municipal and industrial water, or structural fire protection, that occurs pursuant to Section 56425(g) on or after July 1, 2012, the present and probable need for those public facilities and services of any disadvantaged unincorporated communities within the existing sphere of influence.

No change to the Sphere of Influence of the Town of Hillsborough is proposed at this time.

WHEREAS, based on the results of the MSR, staff has determined that the SOI for the Town of Hillsborough is coterminous and does not need to be updated at this time; and

WHEREAS, the Municipal Service Review is categorically exempt from the environmental review requirements of the California Environmental Quality Act (CEQA) under Section 15303, Class 6, which allows for basic data collection, research, experimental management, and resource evaluation activities which do not result in a serious or major disturbance to an environmental resource. The Municipal Service Review collects data for the purpose of evaluating municipal services provided by an agency. There are no land use changes or environmental impacts created by this study.

The Municipal Service Review also is exempt from CEQA under the section 15061(b)(3), the common-sense provision, which states that CEQA applies only to projects which have the potential for

causing a significant effect on the environment and where it is certain that the activity will have no possible significant effect on the environment, the activity is exempt from CEQA; and

NOW, THEREFORE, the Local Agency Formation Commission of the County of San Mateo DOES HEREBY RESOLVE, DETERMINE AND ORDER as follows:

Section 1. By Resolution, the Commission accepts the Executive Officer's Report dated October 25, 2023, Final Municipal Service for the Town of Hillsborough, and all written comments and attachments incorporated herein and contained in attached "Exhibit A."

Section 2. By Motion, the Commission adopts the Municipal Service Review determinations set forth in "Exhibit B" which is attached and hereby incorporated by reference.

Regularly passed and adopted this 25th day of October 2023.

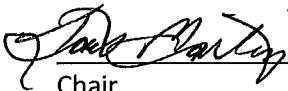
Ayes and in favor of said resolution:

Commissioners: Tygarjas Bigstyc
Virginia Chang-Kiraly
Ray Mueller
James O'Neill
Harvey Rarback
Warren Slocum
Kati Martin

Noes and against said resolution:

Commissioners Absent and/or Abstentions:

Commissioners: Ann Draper



 Chair
 Local Agency Formation Commission
 County of San Mateo
 State of California

ATTEST:



 Executive Officer
 Local Agency Formation Commission

Date: October 25, 2023

I certify that this is a true and correct copy of the resolution above set forth.

Date: _____

 Clerk to the Commission
 Local Agency Formation Commission

Exhibit B

Municipal Service Review (MSR) Areas of Determination and Recommendations for the Town of Hillsborough

Areas of Determinations and Recommendations

Growth and population projections for the affected area.

Determination

As of 2020 the population of Hillsborough was 11,387 and had 4,091 housing units. The Regional Housing Needs Assessment (RHNA) allocation, prepared by the Association of Bay Area Governments (ABAG), for 2023-2031 requires the Town to plan for the development of 554 new housing units by 2031. The Town will amend its General Plan, last adopted in 2005 and updated in 2014 to accommodate the 2014-2022 Housing Element, to ensure that its goals, policies and programs are consistent with the Housing Element once it is approved by the Housing and Community Development Agency.

Recommendation

- None

The location and characteristics of any disadvantaged unincorporated communities within or contiguous to the SOI.

Determination

While the Town does provide water, sewer, and structural fire protection, there are several properties in the unincorporated Burlingame Hills area that receive water service from the Town. However, the Town of Hillsborough's sphere of influence is coterminous with its boundaries and, therefore, does not have any disadvantaged unincorporated communities within or contiguous to the sphere of influence.

Recommendation

- None

Present and planned capacity of public facilities, adequacy of public services, and infrastructure needs or deficiencies including needs or deficiencies related to sewers, municipal and industrial water, and structural fire protection in any disadvantaged, unincorporated communities within or contiguous to the SOI.

Determination

LAFCo is not aware of any deficiencies in agency capacity to meet existing service needs for which the agency does not have a plan in place to resolve. The Town is anticipated to be able to

meet most service demands of foreseeable growth with project infrastructure improvements and other mitigation measures.

Although the Town's guaranteed water supply of 4,858 acre-feet (AF) per year during normal water years through 2045 exceeds its projected water demands in the 2021 urban water management plan, the projected water demands assumes minimal population growth. LAFCo staff recommends that the Town update its urban water management plan (UMWP) to align with planned growth as directed by the recent housing element and the RHNA allocation.

The Town acknowledges that its infrastructure is aging. The Town's annual 5-year Capital Improvement Plan includes the critical capital improvements, replacements and repairs to ensure the Town's infrastructure and facilities are adequate to meet future needs of its residents. Capital improvements to the water and sewer systems are funded through the respective enterprise funds. Storm drain improvements are funded by general fund capital transfers.

Fire protection services are provided by the Central County Fire Department, a Joint Powers Agreement (JPA) between the City of Hillsborough and Town of Hillsborough. In March 2023, CCFD published a Community Risk Assessment/Standards of Care & Deployment Analysis that made several recommendations, including the development of a capital improvement plan for fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.

Recommendations

1. The Town should partner with the City of Burlingame to review the recommendations in the CCFD Community Risk Assessment to prepare a capital improvement plan and CIP budget for fire stations, vehicles and apparatus that are in poor condition and the construction or relocation of the Administrative Facility building.
2. Hillsborough's UMWP was last updated in 2021. The Town should align the growth projections in the UMWP with the RHNA growth projections and the 2023-2031 Housing Element in its next UMWP update.
3. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements, and Town is considering implementing a stormwater fee to fund these improvements. LAFCo staff encourages the Town to conduct this analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

Financial ability of agencies to provide services.

Determination

The California State Auditor has a risk indicator for the fiscal health of California cities. In FY 20-21, the Town of Hillsborough had a score of 85.7 out of 100 points (higher is better) and on a

rating scale of “low”, “moderate”, and “high” risk, the City of Hillsborough is classified as “low risk”. OPEB funding was the Town’s key financial issue.

The Town adopts an annual budget and contracts with an independent certified public accountant to prepare the Town’s annual audit. In its most recent audit for the year ending on June 30, 2022, the audit noted that the Town’s total net position increased 11% to \$97M and its general fund balance also increased to \$31.8M, inclusive of \$15.7M for reserves. Although long-term liabilities increased \$3M from the prior year, it decreased its net pension liability by \$12.2M that same year.

The Town’s Finance Department updates its Master Fee schedule annually and conducts rate studies every few years. The Town has not experienced challenges in raising sewer rates and fees, but it has faced two legal challenges in the past decade when attempting to raise water rates and fees. This included a lawsuit regarding water rates, Prop. 218 rate setting, and drought penalties for water customers that exceeded a certain amount of water use. The Town and ratepayers agreed to a negotiated settlement that included customer refunds for those that paid drought water use penalties. The Town recently adopted a new water rate structure that is currently being reviewed by the courts to establish the rates and validate this action.

For the fiscal year ending June 30, 2022, the Town had total long-term debt outstanding of \$52.4 million, excluding compensated absences, pension and OPEB liabilities. In addition, the Town contributed \$3,848,454 to CalPERS plans and employees contributed \$1,002,738.

The Town has implemented several strategies over the years to mitigate the long-term cost of pensions including paying off \$9.9 million of side funded liabilities; requiring employees to pay a share of the employer’s contribution; implementing an additional tier with a lower pension formula for miscellaneous plan employees; replacing employees who have retired with employees who are on the PEPR plan where applicable; and adopting and funding a \$115 pension trust.

Recommendations

1. Hillsborough has identified the need for over \$50M of storm drain improvements. However, there is no dedicated source of funding for storm drain improvements. LAFCo staff recommends conducting an analysis to determine if a storm drainage fee or other dedicated source of funding could alleviate reliance on the general fund for these improvements.

Status of, and opportunities for, shared facilities.

Determination

The Town of Hillsborough partners with other organizations to share project costs and services with other governments. It shares services through being a member of several JPAs, including with the Central County Fire Department and South Bayside Waste Management Authorities.

LAFCo has not identified additional opportunities for the Town to share services or facilities with neighboring or overlapping organizations.

Recommendation

- None

Accountability for community service needs, including governmental structure and operational efficiencies.

Determination

The Town of Hillsborough complies with disclosure laws and the Brown Act and ensures that public meetings are accessible and well publicized. Adopted budgets and annual budgets are available on the Town Website. The Town did not report any issues with staff turnover or operational efficiencies. There are no recommended changes to the organization's governmental structure or operations that will increase accountability and efficiency.

Recommendations

- None

Any other matter related to effective or efficient service delivery, as required by LAFCo policy including the following:

i. Water Resiliency and Climate Change

ii. Impact of Natural Hazards and Mitigation Planning

Determination

Although not a service delivery issue, there are several parcels in the El Cerrito Avenue and Ranelagh Road that are split by the Town of Hillsborough – City of San Mateo city boundary line. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows parcel boundaries. The Town is engaged in activities to address natural hazard mitigation and sea level rise for residents, businesses, and infrastructure.

Recommendation

1. In the future, the City and Town may wish to consider submitting an application to LAFCo to adjust the Town-City boundary so that this line follows the above-mentioned parcel boundaries that are currently split by the Hillsborough-San Mateo boundary line.
2. LAFCo encourages the City to continue its work in the areas of natural hazard mitigation and sea level rise and continue to coordinate with partner agencies.