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DAVE PINE
Supervisor, First District
San Mateo County

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To: Mayor Beach and the Burlingame City Council
Burlingame City Manager Lisa Goldman
Steve Epstein, President, Burlingame Hills Improvement Association

San Mateo County has dozens of land areas that are outside of the County's 20 incorporated cities. On the bay side of the County, these areas are spread out in a patchwork of non-contiguous islands. The County provides the residents of these areas with services that are typically provided by cities such as road maintenance, sewer systems, police and fire services, and planning and building review. It is an inherently inefficient arrangement for the County to manage the delivery of municipal services in these areas.

It is from that perspective that I commissioned the attached study entitled "Burlingame Hills Sewer Maintenance District: Operational and Governance Options." The Burlingame Hills area – adjacent to the City of Burlingame and sharing a school district, a zip code, and library, parks and recreation services with city residents – is one of these unincorporated pockets. Complicating the situation, the sewer system for the Burlingame Hills is served by a special district, the Burlingame Hills Sewer Maintenance District (BHSMD), which assesses its own fees from the 439 equivalent residential units in its purview. The County has 10 similar special sewer districts, all of which, other than the Fair Oaks Sewer Maintenance System, serve only a relatively small number of homes. This fragmented series of special sewer districts limits opportunities for economies of scale and increases operating and capital expenses.

The study, independently conducted by Richard Berkson of Berkson Associates, specifically examines the economic costs and fiscal impacts of three potential governance and service options for how municipal services, particularly sewer services, might be provided to the residents of the Burlingame Hills. Mr. Berkson carefully reviewed multiple sets of data and historical documents, spoke with key stakeholders, and examined revenue and expense estimates to arrive at his findings.

While Mr. Berkson maintains neutrality in his presentation, we can draw several conclusions from the data he presents:

1. It is imperative that the BHSMD complete the estimated \$12.7 million worth of infrastructure work as soon as possible.
2. Assuming the BHSMD is transferred in good condition, the fiscal impacts on the City of Burlingame annexing the Burlingame Hills are essentially break-even, but could be net positive depending on the outcome of tax-sharing negotiations between the City and the County that would take place should an annexation proposal move forward.
3. Conducting a thorough analysis of this unincorporated pocket revealed several jurisdictional anomalies that can now be corrected, and one can assume that such anomalies exist elsewhere in the County.
4. The inherent inefficiency in providing municipal services to residents in far flung unincorporated pockets could be mitigated if these pockets were to be annexed by adjacent cities.
5. Annexation makes sense for good governance and for creating complete, and whole, communities.

I believe that the Burlingame Hills should be incorporated into the City of Burlingame but not until the identified sewer system upgrades have been completed. This approach is described in Option 2 in the study, where annexation (including the dissolution of the BHSMD and its merger with the City) would occur after the required capital improvements are finished. As the report makes clear, annexation would align with good governance principles, yield economic efficiencies, and correct jurisdictional anomalies. Assuming we find a viable financial mechanism to address the necessary sewer infrastructure upgrades, Option 2 will relieve the Burlingame Hills residents of significant future rate increases, and link them officially to the community of which they currently feel a part. Meanwhile, the City of Burlingame can be kept financially whole and in fact quite likely end up in a net positive fiscal position.

The study, which is now in administrative draft form, will be updated to reflect input from the City of Burlingame and the Burlingame Hills Improvement Association in order to correct any factual inaccuracies. In addition, Mr. Berkson is available to meet with you if you would like to discuss the study.

While annexation is complicated and difficult to accomplish, I believe it has the potential to benefit both the City of Burlingame and the Burlingame Hills and needs to be carefully considered with an open mind.

Should you have any questions, please contact Michael Barber or Linda Wolin of my office at (650) 363-4571.

Regards,

A handwritten signature in blue ink, appearing to read "Dave Pine", with a stylized flourish at the end.

Dave Pine
San Mateo County Supervisor, District 1