



ADMINISTRATIVE DRAFT REPORT

BURLINGAME HILLS SEWER MAINTENANCE DISTRICT (BHSMD)

OPERATIONAL AND GOVERNANCE OPTIONS

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December 5, 2019



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EXECUTIVE SUMMARY

This Study reviews the fiscal, operational and governance options for two small and distinct unincorporated San Mateo County "islands" within the sphere of influence of the City of Burlingame, in addition to the Burlingame Hills Sewer Maintenance District (BHSMD). The Study's objective is to find options that are fiscally sound and provide efficient operations and good governance.

In past years portions of the Burlingame Hills Sewer Maintenance District's (BHSMD) aging sewer system have failed due to multiple factors including grease, other non-flushable items, and tree roots, and these issues contributed to sanitary sewer overflows (SSOs). While the County has worked diligently to make needed repairs and replace the aging pipes, the District faces significant improvement costs that must be borne by a relatively small customer base.

The primary financial issue is how to fund large costs for sewer capital improvements relative to a fairly small unincorporated residential neighborhood. This significant issue applies in all options reviewed in this study; none of the options can eliminate the estimated \$12.7 million of required capital costs¹ without adequate funding. The study estimates potential burdens for ratepayers to fully fund the estimated \$12.7 million, however, the specific manner of financing, for example County participation in funding and re-allocation of property taxes as part of annexation tax share agreement negotiations, could reduce rate impacts. LAFCO Terms and Conditions and the tax share agreement can specify the disposition of current property taxes and their continued (or interim) use for sewer services and infrastructure for the former BHSMD area within a City sewer service zone.

The fiscal impacts on the City's budget are essentially break-even and could be enhanced, depending on the outcome of County-City tax sharing negotiations that will occur if annexation proceeds.

The study indicates that operational and governance options could provide services in a more efficient and effective manner given the proximity of City service providers; the potential savings and service improvements are contingent on the staffing and cost structure of the City and its ability and capacity to serve a larger population and area. Potential economies of scale due to merger with City operations could help mitigate Burlingame Hills sewer rate increases attributable to operating costs; these savings could result from Option 3 upon annexation and merger of BHSMD with the City, and Option 2 following annexation and merger of BHSMD after completion of capital improvements.

¹ Wastewater Collection System Capacity Assurance Plan and Master Plan Update, Final Technical Memorandum, Brown and Caldwell, June 24, 2011. Note: County DPW has budgeted approximately \$1 million towards these costs in FY20, reducing the estimated \$12.7 million in future years.

During the course of preparing the Study, the author identified a number of parcel property tax discrepancies; these parcels are under review by the County and adjustments are being made to reconcile and correct for required changes (see APPENDIX E). The discrepancies were an outcome of past parcel annexations to the City.

CURRENT SERVICE PROVIDERS AND SERVICES

BHSMD provides sewer services to the unincorporated area of Burlingame Hills; the District is operated by the County of San Mateo's Department of Public Works, which manages nine other small sewer systems throughout the County. The two additional unincorporated areas under review are outside BHSMD boundaries, and with the exception of two parcels, these areas are not served by the District.

Other municipal public services to the areas generally are the County's responsibility, although fire protection services are largely the responsibility of the first responder, Central County Fire, a JPA that includes the City of Burlingame (the "City"), due to station proximity. Burlingame Hills residents are an integral part of the Burlingame community, and utilize City recreation and library facilities. CHAPTER III describes current services in greater detail.

BURLINGAME HILLS SEWER BUDGET FORECAST

The need to repair and replace BHSMD sewer lines is likely to increase sewer rates to BHSMD customers. Depending on the timing of the estimated \$12.7 million of priority capital improvements and type of financing, annual rates to BHSMD ratepayers for operations and capital could increase 100% compared to current annual rates of \$1,675 per unit. The study estimates potential burdens on Burlingame Hills sewer ratepayers to fund the estimated \$12.7 million, however, the specific manner of financing and funding from other sources could reduce impacts on rates.

Current and future ratepayer costs are high due to:

- the relatively small size of the sewer system, limited customer base and absence of commercial uses to help absorb costs
- the area's hilly topography and high proportion of sewer lines in easements on private property increases costs of maintenance and improvement
- an aging BHSMD system built in the 1940's that only recently has been undergoing significant upgrade

Without substantial investment, the system will be prone to ongoing risk of failure, sewage spills, and resulting clean-up, repair, fines and litigation costs.

Service and governance options could provide efficiencies to facilitate improvements and minimize future operating costs, however residents of Burlingame Hills face major capital improvement costs regardless of how sewer services and capital improvements are provided.

All options summarized below assume the need for completion of the estimated \$12.7 million of priority capital improvements funded by ratepayers although the impact on rates depend on further analysis, additional funding sources, and annexation negotiations.

SUMMARY OF OPTIONS

The study evaluated three options summarized below. In all options, the estimated \$12.7 million of needed capital improvements are shown as funded and completed.

- **Option 1: Status Quo Service Provider** - Burlingame Hills (and two other unincorporated areas) remain unincorporated, governed by the County of San Mateo Board of Supervisors, and BHSMD's sewer services continue to be managed by the County Department of Public Works (DPW) as a County-dependent district governed by the Board of Supervisors. No changes in current property tax allocations are assumed.
- **Option 2: BHSMD remains until BHSMD completes capital improvements, then annexation and BHSMD dissolution/merger with the City** – BHSMD remains intact and County-operated until BHSMD completes the estimated \$12.7 million of needed capital improvements. Upon completion of the improvements, annexation of Burlingame Hills would occur and BHSMD would be dissolved; the City would be the successor agency to all functions, assets and liabilities of BHSMD, and may create a sewer “zone” specific to Burlingame Hills for financing purposes.
- **Option 3: Annexation of Burlingame Hills to the City and BHSMD dissolution with County participation in funding for City completion of capital improvements** -- The City annexes Burlingame Hills (and two other unincorporated areas) and BHSMD would simultaneously be dissolved and merged with the City's sewer services. The County, in addition to Burlingame Hills sewer ratepayers, would be responsible for participating in funding the estimated \$12.7 million of needed capital improvements to be completed by the City. Funds for improvements will not be subsidized by pre-annexation City of Burlingame sewer customers or by the City. The City may create a sewer “zone” specific to Burlingame Hills.

Table S-1 Comparison of Governance and Service Options

Item	Governance and Service Option		
	OPTION 1 Status Quo Service Provider (County of San Mateo)	OPTION 2 BHSMD completes improvements, then annexation & BHSMD dissolution/merger w/City	OPTION 3 Annexation to City, BHSMD dissolved & merged w/City, County helps fund completion of improvements by City
Governance & Representation	No change; BHSMD dependent on Bd. of Supervisors. Burlingame Hills voters are about 1% of District 1 voters.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	Burlingame City Council to govern Burlingame Hills and merged sewer system, about 4.7% of City voters.
Sewer Service Management & Operation	No change to management by San Mateo County Public Works (BHSMD is 1 of 10 DPW districts). Collection, treatment & disposal by Burlingame billed to BHSMD.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	City would assume responsibility for all aspects of sewer operations & could create Burlingame Hills sewer zone (or subsidiary district) for separate rates and capital charges.
Sewer Service Costs and Rates Long-Term Financial Sustainability of Sewer System	Rate increases required to fund needed priority capital improvements and capital reserves.	Same as Status Quo - rate increases required to fund needed priority capital improvements and capital reserves. Following completion of improvements and dissolution/merger w/City, possible operations & overhead efficiencies could help fund transition costs and reduce rate impacts. However, City currently has minimal staff capacity, reducing potential savings.	Rate increases in Burlingame Hills required to fund needed priority capital improvements and capital reserves, supplemented by County participation in funding of improvements. Possible operations & overhead efficiencies could help fund transition costs and reduce rate impacts. However, City currently has minimal staff capacity, reducing potential savings.
Fire Protection	No change. County Fire services via CAL FIRE, although Central County Fire (City JPA) is primary responder.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	Central County Fire (JPA cities of Burlingame & Hillsborough) provide fire services.
Other Services	No change. Services continue to be provided by County depts & other public agencies.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	City of Burlingame responsible for municipal services.
Impacts on City of Burlingame	No impact.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	No impact from sewer -- funded by separate zone & County participation. City services covered by additional property tax, sewer fees, & other increased revenues.
Impacts on County of San Mateo	No impact.	Status Quo until improvements are completed and annexation/merger occurs; then the same as Option 3.	County Gen. Fund property tax reduced to level of other City areas; loss of Fire Fund property tax; reduction in other services and costs.

12/5/19

OPTION 1: STATUS QUO SERVICE PROVIDER

Under this option, Burlingame Hills (and two other unincorporated areas) would remain unincorporated, governed by the County of San Mateo Board of Supervisors, and BHSMD's sewer services would continue to be managed by the County Department of Public Works (DPW) as a County-dependent district governed by the Board of Supervisors. No current property tax allocation changes are assumed.

This option assumes that DPW would continue the current program of spot repairs and pursue funding to complete the estimated \$12.7 million program of priority capital improvements begun in 2012.

Absent State or Federal grants or other non-BHSMD sources, funding will be required from residents as shown in the Status Quo Budget Forecast in order to complete needed repairs and replacement and provide reserves for future capital improvements. Over the longer-term, rate increases may be mitigated as the need for spot repairs declines and financing costs are reduced by the use of reserves.

Annual allocations to capital reserves would provide for an ongoing program of capital improvements once the current priority improvements are completed. Refer to CHAPTER VI for additional information about the Study's Budget Forecast.

Required rate increases could nearly double current rates in order to fund improvements, in the absence of grants, other non-rate sources, or other County funds. No changes in current property tax allocations are assumed in this option. Non-sewer rate funding sources will reduce projected rate increases.

OPTION 2: BHSMD REMAINS UNTIL BHSMD COMPLETES CAPITAL IMPROVEMENTS, THEN ANNEXATION AND BHSMD DISSOLUTION/MERGER WITH THE CITY

Under this option, BHSMD would remain intact. BHSMD would be responsible for funding the estimated \$12.7 million of needed capital improvements to be completed by BHSMD. Funds for improvements will not be subsidized by City of Burlingame sewer customers.

Upon completion of the improvements, Burlingame Hills and the two additional unincorporated areas would be annexed, BHSMD would be dissolved and the City would be the successor agency to all functions, assets and liabilities of BHSMD.

Prior to annexation and BHSMD dissolution, funding will be required from BHSMD ratepayers in order to complete needed sewer system repairs and provide reserves for future capital improvements. The specific manner of financing could reduce estimated BHSMD sewer rate increases required to fund the estimated \$12.7 million of improvements.

After capital improvements are completed, annexation occurs, and BHSMD is dissolved and merged with the City, operating efficiencies could be achieved utilizing the City's utility and management staff and other administrative systems. However, the City has indicated that its current staff is fully engaged, and the City's ability and cost to provide sewer services to Burlingame Hills and achieve economies of scale is contingent on further detailed evaluation of the BHSMD system.

Annexation of Burlingame Hills (and two other unincorporated areas) could produce a fiscal "break-even" outcome for the City's budget. Depending on property tax share negotiations required for annexation, the tax sharing could create fiscal benefits to the City in excess of costs.

Following Burlingame Hills annexation, dissolution and merger of BHSMD with the City, the analysis assumes that the City creates a Burlingame Hills sewer zone to allocate sewer operations and capital costs specific to that area. Therefore, there would be no significant fiscal impact on the City from the Burlingame Hills sewer system since the estimated \$12.7 million capital improvements would be complete, residents of the zone would be responsible for all ongoing capital and operating costs, and the sewer zone's budget forecast includes establishment of reserves for future capital needs.

OPTION 3: ANNEXATION OF BURLINGAME HILLS TO THE CITY AND BHSMD DISSOLUTION WITH COUNTY PARTICIPATION IN FUNDING FOR CITY COMPLETION OF CAPITAL IMPROVEMENTS

Under this option, the City would annex Burlingame Hills (and two other unincorporated areas). BHSMD would simultaneously be dissolved and its functions, assets and liabilities would be merged with the City's operations. The County, in addition to Burlingame Hills sewer ratepayers, would be responsible for participating in funding the estimated \$12.7 million of needed capital improvements to the former BHSMD system.

Following BHSMD dissolution and merger of sewer operations with the City, it is expected that the City will form a zone encompassing the area of the former BHSMD. In addition to County participation in the estimated \$12.7 million of capital improvements, funding would come from ratepayers in this zone in order for the City to complete needed sewer system repairs, and to provide reserves for future capital improvements. Depending on property tax share negotiations required for annexation, property tax re-allocations could help fund capital improvements. The specific manner of financing and County participation could reduce rates required to help fund the estimated \$12.7 million of improvements.

Potential economies of scale from dissolution and merger of the BHSMD sewer system with the City could help minimize rate increases noted in CHAPTER IX. Operating efficiencies could be achieved utilizing the City's utility and management staff and other administrative functions. However, the City has indicated that its current staff is fully engaged, and the City's ability and cost to provide sewer services

to Burlingame Hills and achieve economies of scale is contingent on further detailed evaluation of the BHSMD system.

Annexation of Burlingame Hills (and two other unincorporated areas) could produce a fiscal “break-even” for the City’s budget. Depending on property tax share negotiations required for annexation, the tax sharing could create fiscal benefits to the City in excess of costs.

The analysis assumes that the City creates a zone for Burlingame Hills in order to allocate sewer operations and capital costs specific to that area. Therefore, there would be no significant fiscal impact on the City from the Burlingame Hills sewer system since residents of the zone would be responsible for operating and capital costs, and the budget forecast includes establishment of reserves for future capital needs.



I. INTRODUCTION

The Burlingame Hills Sewer Maintenance District (BHSMD), operated by the San Mateo County Public Works Department (DPW), maintains the wastewater system serving the unincorporated Burlingame Hills Area. The area is largely unincorporated and most municipal public services are the responsibility of the County of San Mateo.

On January 22, 2019 the San Mateo County Public Works Department (DPW) issued a Request for Proposals (RFP)² to evaluate current BHSMD services and the fiscal viability of the district including operational and governance options that would create efficiencies. The objective is to improve the cost-effectiveness, efficiency and sustainability of sewer services and other public services in the Burlingame Hills and nearby unincorporated areas.

In addition to BHSMD and Burlingame Hills, the Study Area includes two other non-contiguous areas which are outside BHSMD and are unincorporated.

In past years portions of the Burlingame Hills Sewer Maintenance District (BHSMD) aging sewer system have failed due to multiple factors including grease, other non-flushable items, and tree roots, and these issues contributed to sanitary sewer overflows (SSOs). While the County has worked diligently to make major needed repairs, due to the relatively small size of the system and number of ratepayers the District's sewer rates remain high compared to neighboring jurisdictions yet the rates are insufficient to fund all needed improvements. Identified improvements are likely to increase rates. Sewer rates and potential rate increases in the area served by BHSMD are high due to 1) the relatively small size of the sewer system, limited customer base and absence of commercial uses to help absorb costs; 2) age and condition of the system; and 3) the area's hilly topography and high proportion of sewer lines in easements on private property, which generally increase costs of maintenance and improvement.

This Study investigates operational and governance options to improve system operations. The City operates its own system and currently collects, treats and disposes of sewer from Burlingame Hills and other nearby communities. All options assume the need to complete the estimated \$12.7 million of priority capital improvements funded by ratepayers, net of any available grants or other sources of funding to be determined.

The Study also examines annexation of Burlingame Hills and two other small unincorporated areas to the City. Annexation would eliminate unincorporated "islands" largely surrounded by cities. These "islands", governed and served by the County, inherently create public service inefficiencies. County

² RFP issued by the County of San Mateo Public Works Department, January 22, 2019.

service providers, for example fire and sheriff, may need to traverse City areas to serve these islands and may not be the nearest responders in any case. In addition, counties typically do not provide the same level of urban services as cities.

A number of options are evaluated in this report:

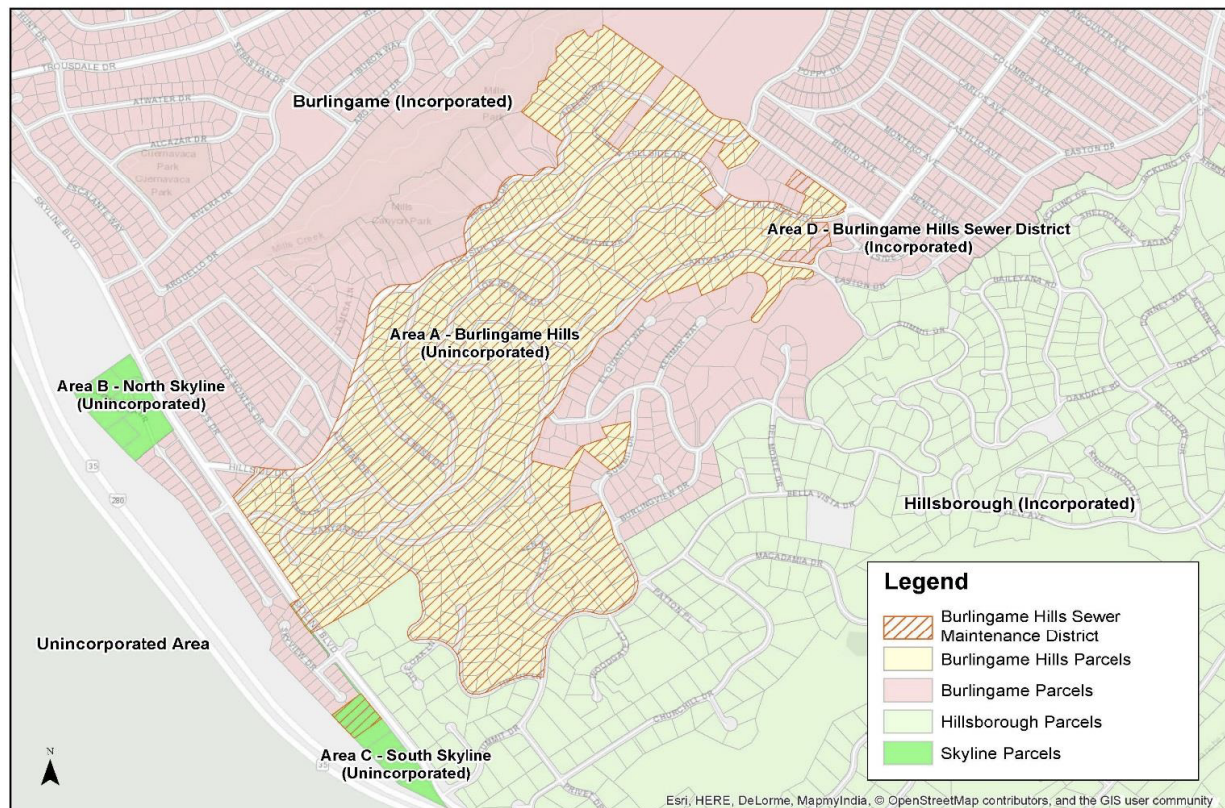
- **Option 1: Status Quo Service Provider** – Burlingame Hills (and two other unincorporated areas) remain unincorporated, governed by the County of San Mateo Board of Supervisors, and BHSMD's sewer services continue to be managed by the County Department of Public Works (DPW) as a County-dependent district governed by the Board of Supervisors. No changes in current property tax allocations are assumed.
- **Option 2: Option 2: BHSMD remains until BHSMD completes capital improvements, then annexation and BHSMD dissolution/merger with the City** – BHSMD remains intact and County-operated until BHSMD completes the estimated \$12.7 million of needed capital improvements. Upon completion of the improvements, annexation of Burlingame Hills would occur and BHSMD would be dissolved; the City would be the successor agency to all functions, assets and liabilities of BHSMD, and may create a sewer "zone" specific to Burlingame Hills for financing purposes.
- **Option 3: Annexation of Burlingame Hills to the City and BHSMD dissolution with County participation in funding for City completion of capital improvements** – The City annexes Burlingame Hills (and two other unincorporated areas) and BHSMD would simultaneously be dissolved and merged with the City's sewer services. The County, in addition to Burlingame Hills sewer ratepayers, would be responsible for participating in funding the estimated \$12.7 million of needed capital improvements to be completed by the City. Funds for improvements will not be subsidized by pre-annexation City of Burlingame sewer customers or by the City. The City may create a sewer "zone" specific to Burlingame Hills.

If service and organization changes are implemented, further analysis and refinement of the options will occur. Negotiations over property tax sharing required prior to annexation will result in modifications and changes to potential impacts on ratepayers and residents of Burlingame Hills, and on the City and County, as described in this Study.

II. OVERVIEW OF BHSMD & OTHER STUDY AREAS

This study addresses Areas A-C shown in FIGURE II-1 and summarized in TABLE II-1 below. Area D on the map originally was evaluated because public records indicated their association with BHSMD; however, further analysis identified required corrections and exclusion from BHSMD designation, which included six parcels not identified on this map (see APPENDIX E).

Figure II-1 BHSMD Governance Options Study Areas



Burlingame Hills was subdivided in the 1910s and 1920s, and developed in the subsequent decades; approximately half the lots were developed by 1946, and the area was nearly fully developed by 1956.³ The possibility of annexation of Burlingame Hills to the City has been discussed multiple times over the years, partly responding to concerns that piecemeal annexations adversely affected the efficiency of public services and typically resulting in subdivided lots and increased density. The most recent inquiry by Burlingame Hills residents took place between 1991 and 1993.

Input provided by Burlingame Hills residents during the City's General Plan Update in 2015-2019 resulted in General Plan wording that "the City, affected property owners, and San Mateo County—under the guidance of the Local Agency Formation Commission—will work cooperatively on annexation when mutually agreed upon by all parties." Burlingame's General Plan applies the land use designation

³ City of Burlingame CDD Response to 8/9/19 data request, 8/30/19.

“Low Density Residential–Sphere of Influence (LDR–SOI)” to Burlingame Hills, with permitted uses to include detached housing units on individual lots, accessory units and related ancillary structures, and residential density between 1.0 and 8.0 dwelling units per acre.⁴

BHSMD

BHSMD is the primary focus of this report, and includes Area A summarized in TABLE II-1. Area A, Burlingame Hills, is unincorporated and is included entirely within the BHSMD boundary. Areas B-C are unincorporated and outside the BHSMD boundary.

TABLE II-1 SUMMARY OF STUDY AREAS

Item	Study Area			TOTAL
	Area A	Area B	Area C	
	Burlingame Hills	North Skyline	South Skyline	
<u>Parcels</u>				
Parcels in BHSMD/County	437	0	0	437
Parcels in BHSMD/City*	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Subtotal, BHSMD	437	0	0	437
Unincorporated not in BHSMD	<u>0</u>	<u>8</u>	<u>6</u>	<u>14</u>
Total Parcels	437	8	6	451
Vacant Parcels	5	0	1	6
Residential Units	432	8	5	445
<u>Residents</u>				
Total Residents	1,032	19	12	1,063
Registered Voters	818	15	7	840

* Area D shown on Fig. II-1 is excluded (public record designations are being revised).

11/25/19

OTHER UNINCORPORATED AREAS

Several other unincorporated parcels which are not within the boundary of the District are evaluated in this study:

- **Study Area B** – “North Skyline” is an unincorporated area outside of BHSMD boundaries; its sewage is collected and treated by the City. Area B is included in this report as an area that could be annexed to the City in conjunction with Area A and Area C.
- **Study Area C** – “South Skyline” is an unincorporated area outside of BHSMD boundaries; one of the parcels is connected to the BHSMD system. The remaining parcels, a mix of vacant parcels and residential uses, connect to septic tanks. Area C is included in this report as an area that

⁴ City of Burlingame CDD Response to 8/9/19 data request, 8/30/19.

could be annexed to the City in conjunction with annexation of Area A and Area B. In the absence of its annexation, its sewer service could be affected if other areas are annexed and BHSMD is merged with the City.

If a reorganization proceeds, issues related to ongoing sewer service and other items will be further analyzed and resolved.

III. CURRENT SERVICE PROVIDERS AND SERVICES

This study focuses on sewage collection services provided by BHSMD, but governance options potentially could impact the provision and governance of other public services. The following sections briefly describe existing services and providers to the Study Areas as summarized on TABLE III-1.

General Government

Burlingame Hills and BHSMD are unincorporated and governed by the County of San Mateo Board of Supervisors.⁵ The other Study Areas – Area B and Area C – are also unincorporated, but outside the boundaries of BHSMD. The County is responsible for oversight of sheriff and fire protection, and planning and code enforcement. Current County services are further described in the following sections.

Sewer

BHSMD is responsible for sewer within its boundary. The District is a “dependent district” and the County of San Mateo’s Board of Supervisors serves as the District’s Governing Board. The County’s Department of Public Works (DPW) staff manage sewer services to BHSMD. The District maintains approximately 6.6 miles of pipe, of which approximately 40% is within easements and 60% within public streets.⁶

The County DPW oversees ongoing maintenance, operation and capital replacement of the BHSMD sewer system. The sewage flows into the City’s collection system and the City’s wastewater plant treats the sewage. The City’s wastewater plant treats sewage from BHSMD, the City, and the Town of Hillsborough.

The costs of services are paid through a combination of property taxes collected from a share of the basic one percent property tax levy within BHSMD boundaries, and service charges to BHSMD residents on their property tax bills.

⁵ Burlingame Hills is represented by Supervisor Dave Pine, District 1 (81,916 registered voters, County Registrar of Voters, Rpt. PDMR003, 9/3/19).

⁶ Presentation at Property Owners Meeting – Sewer Service Rates BHSMD, County of San Mateo DPW, May 14, 2018, pg. 18.

TABLE III-1 SUMMARY OF CURRENT STUDY AREA SERVICE PROVIDERS

Service	Study Area		
	Area A Burlingame Hills	Area B North Skyline	Area C South Skyline
General Government	County of San Mateo	County of San Mateo	County of San Mateo
Sewer	BHSMD, City of Burlingame Treatment Plant	City of Burlingame Collection and Treatment	BHSMD & private septic, Burlingame Plant
Water	City of Burlingame, Town of Hillsborough	City of Burlingame	Town of Hillsborough
Police	San Mateo County Sheriff	San Mateo County Sheriff	San Mateo County Sheriff
Fire	CalFire (contract to County)	CalFire (contract to County)	CalFire (contract to County)
Roads	San Mateo County Dept. of Public Works	San Mateo County DPW	San Mateo County DPW
Stormwater	San Mateo County Dept. of Public Works	San Mateo County DPW	San Mateo County DPW
Street Lighting	na (no lights)	na (no lights)	na (no lights)
Solid Waste	South Bayside Waste Management Authority (SBWMA)	SBWMA	SBWMA
Schools	Burlingame School District (K-8) San Mateo Union High School District (Burlingame HS)	Burlingame School District (K-8) San Mateo Union High School District (Burlingame HS)	Burlingame School District (K-8) San Mateo Union High School District (Burlingame HS)

10/25/19

BHSMD revenues pay for the following:

- County administrative and DPW engineering services for BHSMD management
- Contracts for engineering, design and testing
- Costs for a share of the City's collection and treatment system
- Repayment of debt for major BHSMD capital improvements
- Capital improvements (including spot repairs)
- Other expenses for District management and operation, and allocations to debt service reserves

TABLE III-2 summarizes the BHSMD FY19 budget and the FY20 adopted budget. The budget shows a slight surplus before accounting for transfers to capital and allocations to contingency reserves. The latter allocations are not shown in the table but the beginning and ending fund balances effectively account for these allocations.

TABLE III-2 SUMMARY OF BHSMD BUDGET

Item	Actuals 2018-19	2019-20 Adopted
Beginning Fund Balance	\$2,563,304	\$2,569,309
REVENUES		
Charges for Services	\$743,621	\$734,724
Property Taxes (1)	81,982	80,467
Use of Money and Property, Other	<u>54,149</u>	<u>35,000</u>
Total Revenues	\$879,752	\$850,191
EXPENDITURES		
<u>Operations</u>		
Sewage Treatment and Disposal (2)	\$269,917	\$285,717
<u>System Maintenance and Improvements</u>		
Contract Design, Engineering, Construction, Testing	\$158,080	\$230,000
DPW Engineering Services	315,580	182,275
Other Maintenance (3)	<u>4,960</u>	<u>9,000</u>
Subtotal, System Maintenance and Improvements	\$473,660	\$421,275
<u>Administration</u>		
Other Overhead/Admin, Dept'l, Misc. (4)	<u>3,945</u>	<u>34,025</u>
Total Expenditures (before debt)	\$747,522	\$741,017
NET INCOME BEFORE DEBT	\$132,230	\$109,174
DEBT SERVICE		
Subtotal Debt Service (existing)	95,637	95,637
Coverage (Net/Total Debt)	138%	114%
TOTAL EXPENDITURES INCLUDING DEBT	\$843,159	\$836,654
NET AFTER DEBT SERVICE (before transfers)	\$36,593	\$13,537
Capital Improvement Projects	20,403	1,000,000
Other Transfers Out	10,185	11,192
Ending Fund Balance	\$2,569,309	\$1,571,654
% of Operating Costs	344%	212%

Note: codes below refer to County budget sub-account numbers.

Source: County of San Mateo, Sub Unit 48425 BHSMD, FY19 8/05/19 (FY19 Actual); FY2019 Adopted 2-Year Budget Buildout used as basis for FY20 (adopted 9/24/19).

(1) Property Taxes include Home Owners Property Tax Relief (HOPTTR); no Education Revenue Augmentation Fund (ERAF) rebate is budgeted but may add \$35k-\$45k by end of year.

(2) Billed by City of Burlingame (5633).

(3) Other Maintenance (5428, 5438, 5635, 5858)

(4) Other Overhead and Admin (5191, 5197, 5872, 5955, 5959, 5966, 5969, 5974).

10/25/19

BHSMD recently completed several major capital improvements in accordance with a consent decree issued as a result of a case brought by San Francisco Baykeeper against the County and BHSMD to

eliminate several sources of sanitary sewage overflows.⁷ BHSMD has a multi-year plan for additional improvements needed to replace an aging system and has been performing repairs on the system identified in its Capital Improvement Program. The CIP and repairs are further described in CHAPTER VI.

This report considers areas outside of BHSMD, as described at the start of this chapter. Area B (North Skyline) is served by the City's sewer collection and treatment system. Area C (South Skyline) is also outside the boundary of the BHSMD, but one parcel is connected to the BHSMD system; other parcels are served by septic systems.

Water

The City provides potable water to parts of Area A and Area B. The Town of Hillsborough serves portions of Area A – Burlingame Hills, and Area C – South Skyline.

Sheriff Protection

The San Mateo County Sheriff's Department has primary responsibility for serving unincorporated areas including Burlingame Hills. TABLE III-3 summarizes the number of calls for service to the area.⁸ The California Highway Patrol is responsible for traffic enforcement in unincorporated areas.

TABLE III-3 SAN MATEO COUNTY SHERIFF CALLS TO BURLINGAME HILLS

Year (1)	Incidents
2016	376
2017	330
2018	338
2019 (1)	158

(1) Calendar years shown; 2019 partial year through 5/31/19.

Source: County of San Mateo Public Safety Communications

⁷ San Francisco Baykeeper v. County of San Mateo, and the BHSMD, Civil Case No.: CV 08-03951 BZ.

⁸ Sheriff response data from correspondence with Robert Bustichi, Systems Management Supervisor, County of San Mateo Public Safety Communications, 2019-06-12.

Fire Protection

The San Mateo County Fire Department (“County Fire”) is the agency having jurisdictional authority (AHJ) and is responsible for structural fire protection and rescue services in the unincorporated Burlingame Hills area and other unincorporated areas considered in the current study.

As reported by CAL FIRE’s local Unit website, “...San Mateo County Fire provides service in the unincorporated areas of the County not protected by other local government fire agencies. County Fire is a full-service fire agency that provides fire protection, emergency medical service (Advance Life Support), fire prevention, fire marshal, and public education. The Department responds to over 2,000 emergency incidents a year.”⁹ All four County Fire stations participate in a county-wide mutual aid program which sends the closest engine to any event regardless of the jurisdiction in which the incident occurred.

The County contracts with CAL FIRE for staffing the county fire department. This includes fire administration, support services, training, fire prevention and fire suppression line personnel. All personnel are CAL FIRE employees funded by the County under contractual agreement with the State.¹⁰

The nearest CAL FIRE station is Fire Station #17 (San Mateo Highlands), at 320 Paul Scannell Drive, seven miles from Burlingame Hills. In accord with an auto-aid agreement, Central County Fire is the fire agency expected to respond to the Burlingame Hills area up to and including the sixth responding station because of the proximity of its stations; the nearest station is Central Fire Station #35 (Burlingame), located at 2832 Hillside Drive in Burlingame adjacent to the border of Burlingame Hills as shown in FIGURE III-1.

CAL FIRE at Fire Station #17 would not respond to Burlingame Hills incidents until it became the sixth station due,¹¹ which would typically occur when a second alarm fire¹² had already requested assistance from the five closer non-CAL FIRE stations.¹³ County Fire is responsible for all fire investigations and conducts a full fire cause and origin report for all fire in the unincorporated areas. Additionally, San Mateo County is ultimately responsible for all financial responsibility for fire suppression costs.

⁹ CAL FIRE website, San Mateo Division, June 22, 2019 (cached), www.fire.ca.gov/CZU/SanMateo_Division

¹⁰ Reso. No. 076642, San Mateo County Board of Supervisors, Authorizing a Cooperative Fire Protection Agreement with the California Dept. of Forestry and Fire Protection for Fire Protection Services for the Term of July 1, 2019 to June 30, 2025, June 4, 2019.

¹¹ For any given area, a list of the 50 closest stations is maintained in order of proximity (Bustichi, 2019-08-19).

¹² Alarm levels range from 1 through 8. At each alarm level, a pre-determined number of apparatus are dispatched. A 1st alarm structure fire will get 4 engines, 1 truck, and 2 battalion chiefs. If the structure fire is more than the 1st alarm apparatus can handle, then a 2nd alarm is called. This could be due to the size of the fire or numerous other factors including hazmat, rescue, large occupancy building, etc. At the 2nd alarm, 3 engines, 1 truck, and 2 battalion chiefs are added. Additional alarm levels are called as needed (Bustichi, 2019-08-19).

¹³ Fire response data and responder information from correspondence with Robert Bustichi, Systems Management Supervisor, County of San Mateo Public Safety Communications, 2019-06-12 and 2019-08-19.

Under its contract, the County funds an engine, truck, and battalion chief at CAL FIRE Station #17. CAL FIRE also stages additional state resources seasonally, not being paid by the County including a wildland engine and bulldozer available to respond to wildfire in the region.¹⁴ TABLE III-4 shows that Central County Fire provides nearly all of the resources dispatched to calls originating from Burlingame Hills. The on-duty Battalion Chief at Fire Station #17 will be dispatched on either the first or second alarm.

FIGURE III-1 LOCATION OF CENTRAL COUNTY FIRE STATION #35 (BURLINGAME)

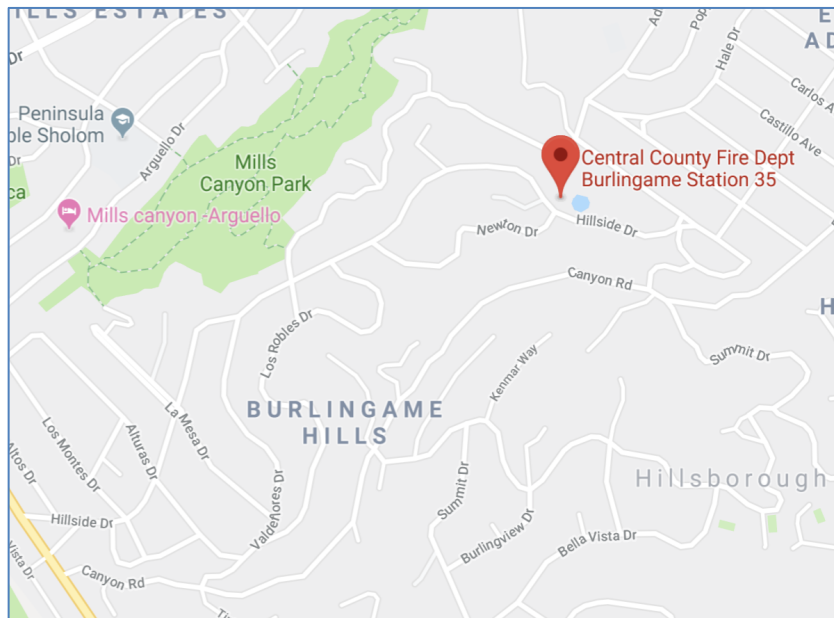


TABLE III-4 FIRE INCIDENTS AND RESOURCES DISPATCHED TO BURLINGAME HILLS

Year (1)	Incidents	Resources Dispatched				Total
		Central County Fire	City of San Mateo Fire (2)	CalFire (3)	San Bruno Fire	
2016	68	88	1	0	0	89
2017	82	93	0	4	3	100
2018	70	76	0	0	0	76
2019 (1)	30	32	0	0	0	32

(1) Calendar years shown; 2019 partial year through 5/31/19.

(2) Also known as San Mateo Consolidated Fire.

(3) CalFire Contract Units dispatched by San Mateo County Public Safety Communications.

Source: County of San Mateo Public Safety Communications

10/25/19

¹⁴ Ibid, Bustichi 2019-08-19.

The County's budget shows that property taxes provide \$6.2 million of revenues, or about sixty percent of the Structural Fire Fund's \$10.1 million operating budget (before appropriations to reserves).¹⁵ The remainder largely derives from "Intergovernmental Revenues"¹⁶ and charges for services.

Planning and Building

The County of San Mateo's Planning and Building Department processes development permits, inspects construction, and updates and enforces land use plans and regulations. About 60 percent of the Department's activities are funded through permits, fees and charges for service; the remaining 40% is funded by the General Fund.¹⁷

TABLE III-5 summarizes County's Planning/Development Review and Building Inspection activity in Burlingame Hills in 2018.

TABLE III-5 PLANNING AND BUILDING DEPT. PERMIT ACTIVITY – BURLINGAME HILLS, 2018

Project Type	Permits Finaled	Permit Information			
		Assessed Value of Projects	Home Value (2018)	Projects as % of Home Value	Fee Revenue
Remodel, Other (deck, charger, electrical)	7	\$156,275	\$10,442,317	1.5%	\$12,108
Addition/Remodel	8	\$2,048,217	\$14,433,796	14.2%	\$95,683
New Single-Family Dwelling	1	\$1,005,400	\$4,000,000	25.1%	\$23,085
Repair (pool, retaining walls, foundation, etc)	6	\$154,000	\$13,358,680	1.2%	\$15,832
Bathroom Remodel	4	\$103,461	\$4,659,897	2.2%	\$6,347
Fire Sprinkler Installation	3	\$25,200	na	na	\$0
TOTAL	29	\$3,492,553	\$46,894,690	7.4%	\$153,055

In FY18 and FY19 there were three to four code violation actions per year undertaken by the County including construction without permits, tree violations, junk and debris, and erosion control.¹⁸

¹⁵ County of San Mateo FY2018-19 Adopted Budget, Structural Fire (3550B) pg. B-63.

¹⁶ "Intergovernmental Revenues" are an allocation of Public Safety Half-Cent Sales Tax (Proposition 172).

¹⁷ County of San Mateo FY2018-19 Adopted Budget, Budget Unit Summary (3800B), pg. B-69.

¹⁸ Code violation information from R. Bartoli, 8/9/19,

Roads

The County of San Mateo's Department of Public Works (DPW) is responsible for road maintenance in unincorporated areas, including Burlingame Hills and the other Study areas. The County's Road Division performs tree trimming as necessary to maintain vehicular and pedestrian clearance; \$15,000 was budgeted for FY19 (roadside mowing is "negligible" according to the County and the cost minimal).¹⁹ Street sweeping every two weeks was budgeted in FY19 at \$35,000.²⁰

DPW utilizes a Pavement Management System to "identify appropriate surfacing treatments consistent with annual budget allocations."²¹ While the topography in Burlingame Hills may contribute to maintenance costs, generally narrower road widths and absence of sidewalks and curbs helps offset costs. Road maintenance is funded entirely by various local, State and Federal funds; there is no Net County Cost.

Approximately 6.3 centerline miles, or 717,000 square feet, of County-maintained roads traverse Burlingame Hills including local streets, minor arterials, and major collectors.²² The weighted average Pavement Condition Index (PCI) is 76,²³ or "Very Good" (PCI of 70-89).

FIGURE III-2 shows the County maintained streets in Burlingame Hills. Approximately 14% of the total street area has a PCI less than 65 but greater than a PCI of 50 ("Good"). About four percent of the road area is a "Poor" PCI, (25 to 49) and none are rated as "Very Poor" (PCI of 0-24).

¹⁹ County DPW Data Request Response 1, 6/3/19.

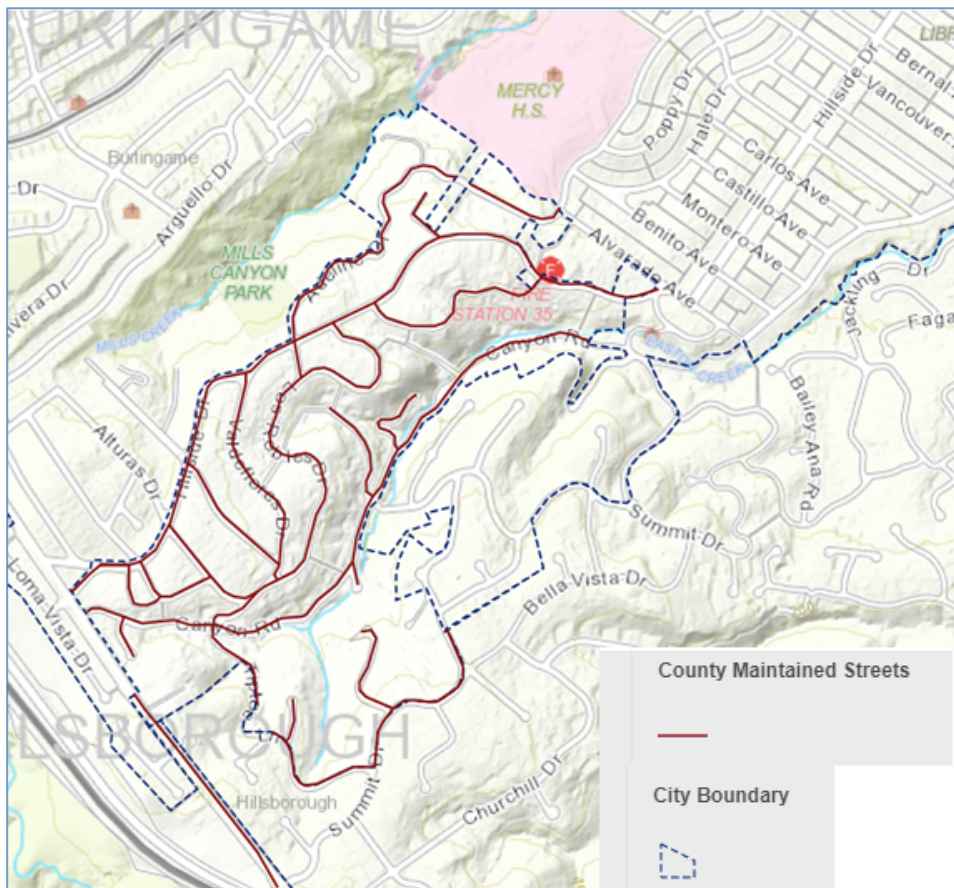
²⁰ County DPW Data Request Response 1, 6/3/19.

²¹ County of San Mateo FY2018-19 Recommended Budget, Road Construction and Operations (4520B) pg. 4-123.

²² Burlingame Hills Road Section Description, correspondence from San Mateo DPW 6/1/19 (file: "Road Section_Description_PMS_BH Area - 6-3-19.xlsx")

²³ *ibid*, Burlingame Hills Road Section Description.

FIGURE III-2 COUNTY-MAINTAINED ROADS IN BURLINGAME HILLS



The County of San Mateo DPW estimates that a maintenance program from 2019 through 2025 would treat 3.3 lineal miles at a total cost of about \$1 million.²⁴ This program assumes that revenues are available to fund a level of maintenance which would maintain and improve current pavement conditions. The only road treatment currently programmed is the \$93,000 cape seal of Canyon Road in 2020 with “One Bay Area Grant” (OBAG) funding.²⁵

Stormwater

According to the County of San Mateo’s DPW, there are some gutters and pipes in Burlingame Hills area roads that convey water towards the creek, and some large diameter pipes that would be more costly to replace. There are some formal drainage pipes at the upstream end of the area (Skyline), but generally

²⁴ Burlingame Hills Road Treatment Program 2019-2025, correspondence from San Mateo DPW 6/1/19 (file: “Unconstrained_Needs_PMS_2020-2025 (12-18-2018) BH Area.xlsx”)

²⁵ County DPW Data Request Response 1, 6/3/19. OBAG funds are allocated by the Metropolitan Transportation Commission (MTC) to cities and counties approving new housing construction and meeting housing targets, and to Priority Development Areas.

stormwater runoff is handled by drains crossing under driveways, catch basins, and ditches and gutters for surface water flow.²⁶

Street Lighting

Study Areas A-C are not within any of the County's eleven lighting maintenance districts. Burlingame Hills has no streetlights.

Solid Waste

Solid waste services are provided by the South Bayside Waste Management Authority (SBWMA), also known as "RethinkWaste", a joint powers authority of twelve public agencies in San Mateo County. RethinkWaste owns and manages the Shoreway Environmental Center which receives all of the recyclables, organics, and garbage collected in its service area. RethinkWaste also provides strategic oversight, support and management of service providers that collect, process, recycle and dispose of materials for the 12 Member Agencies.²⁷

Schools

Potential governance options would not affect school districts. Burlingame Hills and the City are part of the Burlingame School District (K-8) and the San Mateo Union High School District (Burlingame HS).

Other Services

A range of other public agencies serve Burlingame Hills but will be unaffected by governance options. These include utility companies, cable service, healthcare/hospital districts, and others.

²⁶ Correspondence from A.Stillman, County DPW, 9/24/19.

²⁷ <https://www.rethinkwaste.org/about/about-us>

IV. BHSMD REVENUES

Wastewater operations are primarily funded by sewer service charges and a small contribution from property taxes generated within the District.

Property Tax

Property tax accounts for about nine percent of the District's FY20 budget, or \$80,000.²⁸ In addition, the District is likely to receive excess ERAF, approximately \$44,000 in FY19.²⁹

The revenue to the District is generated from a 2.2 cent share of each dollar of Prop. 13 property tax produced by the District's total assessed value of approximately \$615 million.³⁰ Taxes grew about six percent in FY18 as assessed value within the District increased.³¹

Service Charges

The sewer collection service program is primarily funded by Sewer Service Charges levied on properties receiving sewer service from the District. The County of San Mateo Board of Supervisors, acting as the Governing Board of the District, sets the Sewer Service Rates which are used to calculate the Sewer Service Charges collected annually on the property tax bill.³²

The District's Master Plan, prepared in 1999, recommended a range of rates based on current and anticipated operating and capital needs.³³ The impact of the rate increases was acknowledged in the Master Plan to be significant due to the magnitude of required capital improvements. Rates of \$451 per equivalent residential unit in 1999 were proposed to increase to \$1,029 to \$1,056 per unit in FY2003-04.³⁴ If a midpoint rate had been adopted at that time and increased 3% annually, current rates would be about \$1,400 per unit. However, the rates were left unchanged at that time.³⁵

Subsequent rate adjustments encountered opposition and were twice defeated by a Prop. 218 property owner protest, keeping rates below those needed to fund necessary improvements. Rates for FY19 were

²⁸ County of San Mateo, Sub Unit 48425 BHSMD, FY19 8/05/19, 2-Year Budget Buildout.

²⁹ The Educational Revenue Augmentation Fund (ERAF) provides refunds back to source agencies when initial ERAF property tax revenue shifts to ERAF exceeds ERAF requirements. The refunds vary annually.

³⁰ County of San Mateo Tax Rate Book for FY 2018-2019, Acct. 72140, pg. 15.

³¹ FY18 budget (OFAS) report compared to FY17, current year secured property taxes before including secured taxes, ERAF rebate and other misc. taxes.

³² County Code Section 4.32 of the County [Ordinance Code](#).

³³ Burlingame Hills Sewer Maintenance District Master Plan, Brown and Caldwell, 1999.

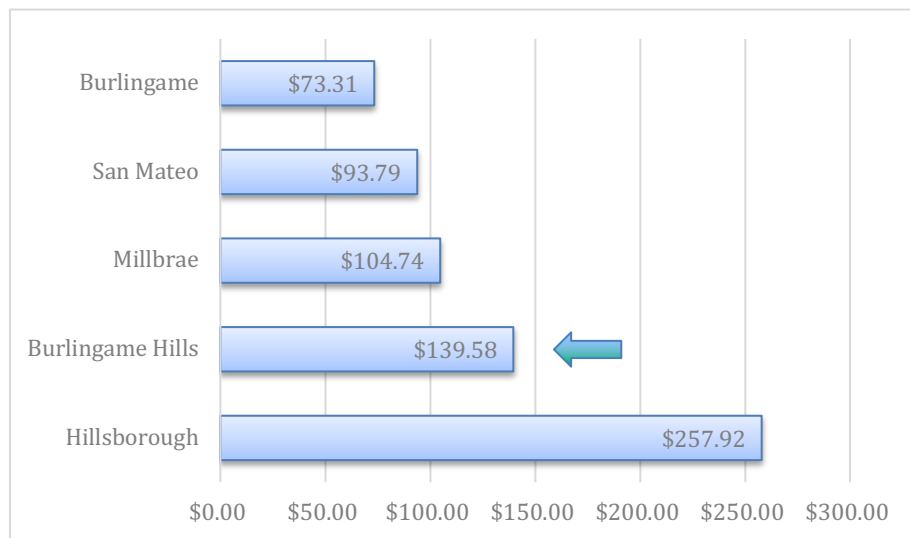
³⁴ Ibid, BHSMD Master Plan 1999, pg. 15-2.

³⁵ R.Berkson interview with A.Stillman, Deputy Director, San Mateo County Public Works, 8/7/19.

established in July 2018.³⁶ The rate per residential unit is \$1,675 annually, or \$139.58 per month, an increase of \$6.67 per month or 5 percent above the prior rate which had been unchanged since rates were set in 2011.³⁷ The rates were established for FY19 and were not changed for FY20. The current rates were set without adopting rates for future years “due primarily to the uncertainty of the cost of major capital improvements in the districts and the downstream agency system.”³⁸

As shown in FIGURE IV-1, BHSMD sewer rates are higher than neighboring cities with the exception of Hillsborough. For example, BHSMD \$139.58 monthly rate equivalent is nearly double the typical \$73.31 monthly rates³⁹ paid by City residents. The City plans a sewer rates review in FY19-20.⁴⁰ The BHSMD rates are “flat” rates, whereas other cities’ rates include a fixed and variable component depending on water consumption.⁴¹

FIGURE IV-1 COMPARISON OF MONTHLY SEWER RATES



Enterprise districts are legally allowed rates sufficient to fund the cost of service. Rates typically are not expected to exceed 2.0 to 2.5 percent of household income, for a sewer or water utility.⁴²

³⁶ Ordinance No. 4802, July 24, 2018.

³⁷ County of San Mateo, Inter-Departmental Correspondence from James C. Porter, Director of Public Works to the Board of Supervisors, Board Meeting Date 7/24/2018.

³⁸ County of San Mateo, Inter-Departmental Correspondence from James C. Porter, Director of Public Works to the Board of Supervisors, Board Meeting Date 6/5/2018.

³⁹ City of Burlingame FY18-19 Master Fee Schedule (eff. 1/1/18), pg.76.

⁴⁰ City of Burlingame Response to 8/9/19 data request, 8/30/19.

⁴¹ Rate comparisons assume average monthly water use per residential unit of 8 CCF (1 CCF is one-hundred cubic-feet, or 748 gallons).

⁴² Teodoro, et al, (2018) cite USEPA’s *Financial Capability Guidebook* (USEPA 1984) as original source for the use of personal income as a measure, although it was not applied to rates in the 1984 document.

Sewer charges of \$1,675 annually are approximately 1.4 percent of median household incomes (based on the City of Burlingame – data is unavailable for Burlingame Hills), which is less than the 2 percent measure.⁴³ BHSMD currently does not have a “Low-Income Resident Rate Option”, however, the County is evaluating the option,⁴⁴ which could not be subsidized by sewer rates charged to other customers and therefore would require an unrestricted source of funding for the subsidy.

⁴³ Assumes Burlingame Hills household incomes are similar to (or greater than) City of Burlingame median household income (\$118,410) and mean household income (\$173,049). Incomes are from the 2013-2017 American Community Survey 5-Year Estimates.

⁴⁴ R.Berkson interview with A.Stillman, Deputy Director, San Mateo County Public Works, 8/7/19.

V. BHSMD EXPENDITURES

Sewage transport, treatment and disposal, billed to the District by the City, accounts for nearly half of BHSMD expenditures before debt service, capital expenditures and reserves. System maintenance and improvements, including contract engineering and County DPW engineering services, comprise the remaining expenditures along with District administration.

OPERATIONS

Sewage Collection, Treatment and Disposal

The City's sewage collection system conveys sewage from the BHSMD system to the City's treatment plant. The City bills the District annually for the District's share of collection and treatment costs based on a billing rate and formula in a 1975 agreement.⁴⁵

The annual bill consists of two components:

1. BHSMD pays 1.7 percent of the "total actual cost of the operation and maintenance of the City's collection system, as well as improvements thereto, for each fiscal year, and 15% for overhead and supervision."⁴⁶ The billing for FY17-18 totaled \$144,840 for collection system charges.⁴⁷
2. BHSMD pays a share of sewage treatment costs, including upgrade costs for treatment facilities (cash and/or debt service), proportionate to the amount of sewage emanating from the BHSMD based on the water supplied to BHSMD properties relative to total water supplied to all properties discharging to the Burlingame treatment facilities, and 15% for overhead and supervision.⁴⁸ The billing for FY17-18 totaled \$125,077 for sewer treatment charges.⁴⁹

Bills from the City are paid by the District in the year following the year of service. Total City collection, treatment and disposal costs billed for FY17-18 (and paid by the District in FY18-19) were \$269,917. The bill to the BHSMD for the period covering FY18-19 to be paid in FY19-20 totals \$246,382.⁵⁰ Future billed costs depend on City sewer operating and capital costs. The billings could also change if the City and BHSMD renegotiate a billing methodology different from the 1975 agreement.

⁴⁵ Sanitary Sewer Agreement between the Burlingame Hills Sewer Maintenance District and the City of Burlingame, July 1975. File received from DPW: "Agreement BHSMD and City of Burlingame 1975 - Treatment.pdf".

⁴⁶ Ibid, Sewer Agreement 1975, Section 4, pg. 3.

⁴⁷ Request for Payment from the City of Burlingame, Invoice No. BR14090, Acct. No. 527-12110, 8/17/18.

⁴⁸ Ibid, Sewer Agreement 1975, Section 3, pg. 2.

⁴⁹ Ibid, Request for Payment, 8/17/18.

⁵⁰ Request for Payment from the City of Burlingame, Invoice No. BR15740, Cust. No. 1820, 9/20/19.

The City anticipates future capital improvements to its sewer collection and treatment system ranging from \$4 million to \$5 million per year over the next five years.⁵¹ A share of these costs is factored into the BHSMD bill from the City and varies each year. These billings represent about 34 percent of total District expenditures (including debt service).

Contract Design, Engineering and Testing

The District's FY20 budget projects about \$230,000 for "Contract Design, Engineering and Testing"⁵² largely related to ongoing District operations. The amount includes \$200,000 annually for spot repairs plus \$30,000 for contract services; the \$30,000 is not typical, but is budgeted to provide a contingency in the event the services are required.⁵³ This expenditure represents about 27 percent of total District expenditures (including debt service).

DPW Engineering Services

The District's FY20 budget projects about \$182,275 for "DPW Engineering Services"⁵⁴ largely related to staff (office and sewer maintenance crew) costs for operations and maintenance of the sewer system.⁵⁵ This expenditure represents about 22 percent of total District expenditures (including debt service).

Overhead and Administration

The District's FY20 budget projects about \$34,000 for various District overhead and administrative costs. This expenditure represents about four percent of total District expenditures (including debt service).

DEBT SERVICE

The District obtained a loan from the State of California's Water Resources Control Board Clean Water State Revolving Fund (SRF).⁵⁶ Draws from March 2017 through August 2018 totaled \$2,299,898 and accrue interest at a 1.5% rate over 30 years.⁵⁷ Interest and principal payments totaled about \$96,000 annually. The payments represent about 11 percent of total expenditures.

⁵¹ Email from City of Burlingame Public Works/Engineering to County of San Mateo DPW, 5 year Sewer and WWTP CIP, 3/27/18.

⁵² County of San Mateo, Sub Unit 48425 BHSMD, FY19 8/05/19, 2-Year Budget Buildout.

⁵³ Correspondence from A.Stillman, County DPW, 9/24/19.

⁵⁴ Ibid, BHSMD FY19 2-Year Budget Buildout.

⁵⁵ Correspondence from A.Stillman, County DPW, 9/24/19.

⁵⁶ Project No. C-06-7810-110, Agreement No. 14828-550-0.

⁵⁷ Payment schedule dated 1/3/2019 provided by County of San Mateo DPW.

OTHER APPROPRIATIONS

Infrastructure Assets

The District is budgeting \$1 million in FY20 for infrastructure capital improvements, drawing on fund balances. This amount is the first year of a two-year program for the Hillside/Adeline Area sewer project.⁵⁸ The District's two-year budget planning also provides for \$230,000 per year for spot repairs which would be funded from reserves.

Contingency

The District's FY20 budget allocates \$1.5 million as "Contingency Appropriations." This allocation essentially enables a fund balance to be carried forward in the District's budget. The fund balance at the end of FY19 was approximately \$2.4 million.⁵⁹ The District has set a goal for the reserve to equal 50% of annual operations and maintenance plus 3% of asset replacement value.⁶⁰

General Reserves

The District's FY20 budget allocates approximately \$96,000 to "General Reserves." The SRF Loan Agreement requires that the District reserve the amount of the annual SRF Loan Payment in the budget.⁶¹

Other Transfers Out

The District's FY20 budget projects about \$11,000 of "Other Transfers Out" to contribute towards the purchase of sewer equipment that benefits all County-dependent sewer districts.⁶²

⁵⁸ Correspondence from A.Stillman, County DPW, 9/24/19.

⁵⁹ County of San Mateo, Sub Unit 48425 BHSMD, FY19 8/05/19, 2-Year Budget Buildout.

⁶⁰ Correspondence from A. Stillman, Deputy Director, San Mateo County Public Works, 8/8/19.

⁶¹ Correspondence from A. Stillman, Deputy Director, San Mateo County Public Works, 8/8/19.

⁶² Correspondence from A.Stillman, County DPW, 9/24/19.

VI. BURLINGAME HILLS SEWER BUDGET FORECAST

A number of factors will influence BHSMD's future budget and the sewer rates required to improve and sustain the system. The primary factor is the need for significant capital improvements. The impact on rates depends on the magnitude and timing of required improvements, and method and cost of financing. It may be possible to moderate short-term impacts on rates using long-term, low-cost State financing of improvements and related engineering services.

The District has evaluated future cash flows and the required sewer rates, and anticipates the need to increase rates for FY20-21 in order to meet minimum fund reserve requirements. This study provides a Budget Forecast to evaluate long-term sewer rates and the system's financial sustainability.

The Budget Forecast estimates rate increases, in the absence of grants, other non-rate sources, and other County funds or property tax re-allocations, necessary to fund increased operating costs, new debt service for priority capital improvements, and establishment of reserves to help fund capital replacement on an ongoing basis. Actual future rates will vary depending on reorganization options considered in this report, financing mechanisms and their cost, and future costs for operations and improvements. Property tax share negotiations, required if annexation proceeds, could help provide a share of required financing. These potential additional funding sources would reduce the amounts required from ratepayers.

FORECAST ASSUMPTIONS

The Budget Forecast developed for the purpose of this report utilizes assumptions consistent with current BHSMD practices and recent budget experience. As noted above, the Budget Forecast has been prepared for planning purposes for the purpose of this Study, and actual future costs and rates will vary.

This chapter includes a budget forecast for the Status Quo Service Provider option, assuming BHSMD continues as a County-dependent district and San Mateo DPW continues to manage and operate BHSMD. Subsequent chapters describe other governance options and budget implications; those budget forecasts utilize similar forecast assumptions with specific differences noted in each chapter.

Revenues

No rate increase is assumed for FY19-20. Increases in subsequent years vary depending on annual costs, funding and whether work has started on Phase #3 of the Capital Projects Plan. Potential annual rate increases largely depend on the timing, magnitude and type of capital financing for future priority capital improvements; this projected capital component of rates is shown separately from operations. Proposition 218 notice and protest proceedings provide that rate increases "may not be imposed or

increased if a majority of ‘owners of identified parcels’ submit written protests;”⁶³ it is unknown whether BHSMD ratepayers will accept future rate increases to fund needed improvements.

The revenue forecast assumes 439 units initially paying \$1,675 annually initially. The operating component of current rates (including current debt service) is assumed to increase three percent annually to cover future operating cost increases. Property taxes are assumed to grow at 5 percent annually, which is slightly below recent District trends.

No change in “Use of Money and Property” is assumed, although these revenues will vary slightly depending on timing and magnitude of cash flows and reserves.

Operating Expenditures

“Sewage Treatment and Disposal Costs” billed by the City are assumed to grow at 3 percent annually. The costs could vary by the timing and type of funding required for City capital costs and the District’s relative share of costs (which depends on water consumption of District residents and other entities served by the City). The billing methodology may change for those options involving a merger of BHSMD’s sewer system with the City’s operations.

Engineering Services

“Contract Design, Engineering and Testing” costs shown in the current District budget are assumed to continue in amounts similar to current annual costs (plus 3 percent annual inflation) for two years, at which point the spot repair program will be complete and costs will decline significantly. “DPW Engineering Services” are assumed to continue at current levels plus inflation.

Administration

No changes in current administrative costs are assumed in the Status Quo budget forecast other than inflationary increases of three percent annually. This assumption varies with other governance options.

Debt Service

Currently budgeted debt service is assumed to continue as existing SRF loans are repaid. Other key assumptions related to capital improvements and the use of debt include:

- Consistent with the current BHSMD budget, the Hillside/Adeline Area project is assumed to be funded over a two-year period beginning in FY20 using reserves.
- An estimated \$12.7 million of priority capital improvements are constructed over a ten-year (including inflation and contingency). Actual timing depends on the availability of funding and possible rate increases. If improvements are distributed over a longer period, annual debt service and corresponding rate increases would be less than projected.

⁶³ Proposition 218 Guide for Special Districts, California Special Districts Association, 2013.

- New debt is issued to fund priority improvements, which are amortized over 30 years at a 1.5 percent annual interest rate. Rates may need to be raised in order to meet required debt coverage ratios (i.e., net revenue, after expenditures, must exceed debt service by 10% or a ratio of 1.1). The use of debt financing depends on the availability of low-interest State and federal loans; interest rates will be higher for conventional financing. Higher-cost financing will require greater rate increases.
- 10% issuance costs are included in the debt (in addition to the items listed above). The issuance costs depend on the size of the debt and staff time required for the application process. If not required for debt issuance these allocations could provide additional contingency.

In addition to new debt service for future capital improvements, the Budget Forecast assumes a budget contribution towards annual reserves equal to three percent of the cost of new infrastructure, which provides for the eventual repair and replacement of newly constructed infrastructure. This reserve could fund future capital improvements and reduce debt service and related interest costs.

Capital Improvement Program (CIP)

DPW has identified high priority capital improvements for BHSMD totaling an estimated \$12.7 million as summarized in TABLE VI-1.⁶⁴ The improvements were documented in a technical memorandum prepared in 2011, and originally phased over a 5-year period beginning in 2015 after completion of the Adeline Drive/Canyon Road capacity improvements.⁶⁵ In FY20, the BHSMD is beginning the Hillside/Adeline Area Project shown in the table. The Project currently is budgeted by the BHSMD over a two-year period using funding drawn from reserves. Completion will reduce the estimated \$12.7 million.

The Budget Forecast assumes the estimated \$12.7 million are spread over a 10-year period beginning in FY20 (see APPENDIX D); a more extended schedule would slow the projected rate increases but would increase the possible risk of pipe failures and sewer overflows.

A 2012 CCTV inspection of the pipelines, included in the Capital Improvement Program described in the 2011 memorandum, identified 48 point repair locations; the County completed approximately half of those repairs through May, 2017,⁶⁶ and continues to undertake and complete its planned program of spot repairs through FY21.⁶⁷ The BHSMD is budgeting approximately \$200,000 annually in FY20 and FY21 towards completing spot repairs.

⁶⁴ Presentation at Property Owners Meeting – Sewer Service Rates BHSMD, County of San Mateo DPW, May 14, 2018, pg. 18.

⁶⁵ Wastewater Collection System Capacity Assurance Plan and Master Plan Update, Final Technical Memorandum, Brown and Caldwell, June 24, 2011.

⁶⁶ County DPW Repairs List, BHSMD, 11/6/2014-5/13/2017 revised 3/19/2018 (file: “Point Repairs List_20180319_Rev.pdf”).

⁶⁷ County DPW Data Request Response 6/3/19.

TABLE VI-1 CAPITAL IMPROVEMENT PROJECTS – BHSMD

Capital Item	TOTAL
Hillside/Adeline Area (~6,800 feet)	\$2,300,000
Upper Canyon Area (~6,400 feet)	2,500,000
Fey Area (~6,100 feet)	2,600,000
Tiara Area (~4,600 feet)	2,000,000
Alturas/La Mesa Area (~3,700 feet)	1,700,000
Lower Canyon Area (~3,200 feet)	<u>1,600,000</u>
Total	\$12,700,000

Source: Presentation at Property Owners Meeting – Sewer Service Rates
 BHSMD, County of San Mateo DPW, May 14, 2018, pg. 18.

Other Allocations

No transfers to reserves are assumed other than the amount required by SRF loans and amounts to maintain other minimum reserves. Capital expenditures are assumed to be funded through debt service as described below, supplemented by reserves.

BUDGET FORECAST

The budget forecasts assume ongoing capital improvements to replace aging infrastructure to help avoid sanitary sewer overflow (SSO) incidents; aging infrastructure is one of several factors that contribute to SSOs. Key assumptions were described above; other factors could affect future rates, for example, significant unanticipated system failures, changes in City treatment and disposal costs, and future economic conditions that could affect cost inflation and property tax revenues. The inability to obtain low-cost State or other capital financing will also change the forecasts.

TABLE VI-2 indicates rates increases are likely to be required, primarily due to the cost of future capital improvements. The forecast assumes that the estimated \$12.7 million of priority capital improvements are completed over a ten-year period and funded by existing reserves and rate increases to pay new debt. Annual allocations towards capital reserves provide for future repair and replacement of capital (after the estimated \$12.7 million improvements are complete).

TABLE VI-2 SEWER BUDGET FORECAST – BHSMD STATUS QUO SERVICE PROVIDER OPTION

Item	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30
Operations & Existing Debt Service Rate	\$1,675	\$1,675	\$1,424	\$1,424	\$1,210	\$1,331	\$1,464	\$1,464	\$1,464	\$1,464	\$1,538
Future Debt & Capital Reserves Rate	<u>\$0</u>	<u>\$89</u>	<u>\$521</u>	<u>\$521</u>	<u>\$969</u>	<u>\$969</u>	<u>\$1,315</u>	<u>\$1,315</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,885</u>
Avg. Combined Rate	\$1,675	\$1,764	\$1,944	\$1,944	\$2,180	\$2,301	\$2,779	\$2,779	\$3,073	\$3,073	\$3,422
Charges for Services	735,325	774,325	853,534	853,534	956,868	1,009,995	1,220,042	1,220,042	1,348,907	1,348,907	1,502,334
Property Taxes	80,467	84,490	88,715	93,151	97,808	102,699	107,833	113,225	118,886	124,831	131,072
Use of Money and Property, Other	<u>35,000</u>	<u>36,050</u>	<u>37,132</u>	<u>38,245</u>	<u>39,393</u>	<u>40,575</u>	<u>41,792</u>	<u>43,046</u>	<u>44,337</u>	<u>45,667</u>	<u>47,037</u>
Total Revenues	850,792	894,865	979,380	984,930	1,094,069	1,153,269	1,369,667	1,376,312	1,512,130	1,519,405	1,680,443
EXPENDITURES											
<u>Operations</u>											
Sewage Treatment and Disposal	285,717	294,289	303,117	312,211	321,577	331,224	341,161	351,396	361,938	372,796	383,980
<u>System Maintenance and Improvements</u>											
Contract Design, Engineering and Testing	230,000	270,000	31,827	34,778	35,822	36,896	38,003	39,143	40,317	41,527	42,773
DPW Engineering Services	182,275	187,743	193,376	199,177	205,152	211,307	217,646	224,175	230,901	237,828	244,962
Other Maintenance	<u>9,000</u>	<u>9,270</u>	<u>9,548</u>	<u>9,835</u>	<u>10,130</u>	<u>10,433</u>	<u>10,746</u>	<u>11,069</u>	<u>11,401</u>	<u>11,743</u>	<u>12,095</u>
Subtotal, System Maintenance	421,275	467,013	234,751	243,790	251,103	258,636	266,395	274,387	282,619	291,098	299,830
<u>Administration</u>											
Other Overhead/Admin, Dept'l, Misc.	<u>34,025</u>	<u>35,046</u>	<u>36,097</u>	<u>37,180</u>	<u>38,295</u>	<u>39,444</u>	<u>40,628</u>	<u>41,846</u>	<u>43,102</u>	<u>44,395</u>	<u>45,727</u>
Total Expenditures	741,017	796,348	573,965	593,180	610,976	629,305	648,184	667,630	687,659	708,288	729,537
Net Operating Income	109,775	98,518	405,415	391,750	483,093	523,964	721,483	708,683	824,472	811,116	950,906
DEBT SERVICE											
Subtotal Debt Service (existing)	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637
Subtotal Debt Service (New)	0	0	114,508	114,508	233,596	233,596	325,202	325,202	403,067	403,067	476,352
Coverage	115%	103%	193%	186%	147%	159%	171%	168%	165%	163%	166%
Total Expenditures (inc. debt)	\$836,654	\$891,985	\$784,110	\$803,325	\$940,209	\$958,538	\$1,069,023	\$1,088,469	\$1,186,363	\$1,206,993	\$1,301,526
NET AFTER DEBT SERVICE (before CIP)	\$14,138	\$2,881	\$195,271	\$181,605	\$153,861	\$194,731	\$300,644	\$287,844	\$325,767	\$312,412	\$378,917
Fund Transfers to Capital Projects	1,000,000	1,300,000									
Other Transfers Out	11,192	11,528	11,874	12,230	12,597	12,975	13,364	13,765	14,178	14,603	15,041
Ending Fund Balance	\$1,572,255	\$224,608	\$294,005	\$349,380	\$298,644	\$288,400	\$323,680	\$345,759	\$354,349	\$349,158	\$362,033
% of Operating Costs (50% target)	212%	28%	51%	59%	49%	46%	50%	52%	52%	49%	50%
Cumulative Reserves for Future Capital		\$39,000	\$153,000	\$267,000	\$459,000	\$651,000	\$903,000	\$1,155,000	\$1,458,000	\$1,761,000	\$2,112,000

10/25/19

VII. OPTION 1: STATUS QUO SERVICE PROVIDER

Under the Status Quo Option, no change in the current provider of service or governance would occur. The County would continue current services to unincorporated study areas as described in CHAPTER III, and BHSMD would continue providing sewer services to its current service area.

The Status Quo Service Provider Option presumes no change in current service provision or organization and therefore no improvements in efficiencies or operational savings. Continuing the status quo assumes that ongoing capital improvements in the District and downstream to the City's collection and treatment system will be factored into future rates. Completing the estimated \$12.7 million of priority capital improvements is likely to increase current BHSMD sewer rates.

Required rate increases could nearly double current rates in order to fund improvements, in the absence of grants, other non-rate sources, or other County funds. No changes in current property tax allocations are assumed in this option. Non-rate funding sources will reduce projected rate increases.

IMPACTS ON SEWER SERVICE RATES

As described in CHAPTER VI of this report, the Status Quo Service Provider Option is likely to require rate increases of 100 percent in order to complete the estimated \$12.7 million of priority capital improvements over the next ten years, unless non-rate funding sources are obtained. A more protracted timeline, e.g., 20 years, would reduce the increases by half, however, the BHSMD would continue to risk sewer system failures and repairs to the aging system.

The rate increases estimated in the Budget Forecast include an annual contribution to capital reserves to help reduce future finance costs and provide increased rate stability after priority capital improvements are completed and beyond the forecast period.

FISCAL IMPACTS

BHSMD incurs no net County cost; sewer service costs are allocated entirely to BHSMD ratepayers. Therefore, there will be no change to current County fiscal conditions or services as a direct result of the status quo option.

VIII. OPTION 2:

BHSMD REMAINS UNTIL BHSMD COMPLETES CAPITAL IMPROVEMENTS, THEN ANNEXATION AND BHSMD DISSOLUTION/MERGER WITH THE CITY

Under this option, BHSMD would remain intact. BHSMD would be responsible for funding the estimated \$12.7 million of needed capital improvements to be completed by BHSMD. Funds for improvements will not be subsidized by City of Burlingame sewer customers or the City's General Fund.

Upon completion of the improvements, Burlingame Hills and the two additional unincorporated areas would be annexed, BHSMD would be dissolved and the City would be the successor agency to all functions, assets and liabilities of BHSMD.

After annexation and dissolution of BHSMD, potential economies of scale from expanded City sewer functions could enable the City to spread its current operating costs over a larger service base if City staff capacity permits. To the extent that City costs are less than comparable County DPW costs, potential BHSMD rate increases attributable to operations indicated in CHAPTER VI could be moderated. However, the City has indicated that its current staff is fully engaged, and the City's ability and its cost to provide services to BHSMD would be contingent on its future detailed evaluation of the BHSMD system.

IMPACTS ON SEWER SERVICE RATES

Similar to the Status Quo Service Provider Option, prior to BHSMD dissolution current costs to administer District functions and overhead would remain, and this option is likely to require rate increases of 100 percent in order to complete the estimated \$12.7 million of priority capital improvements over the next ten years as shown in TABLE VI-2. The Study estimates potential burdens on ratepayers to fully fund the estimated \$12.7 million, however, the specific manner of financing, for example County participation in funding, could reduce rate impacts. A more protracted timeline, e.g., 20 years, would reduce the increases by half, however, the BHSMD would continue to risk sewer system failures and repairs to the aging system.

The rate increases estimated in the Budget Forecast include an annual contribution to capital reserves to help reduce future finance costs and provide increased rate stability after priority capital improvements are completed and beyond the forecast period.

After the improvements are completed, annexation occurs and the District is dissolved and operations merged with the City, it is possible that the operating cost component of rates in the dissolved BHSMD area (assuming the area continues as a zone of the City's sewer operations for rate purposes) could be reduced. Cost savings may occur by the reduction of District overhead and other potential efficiencies.

However, the City indicates that currently it does not have available staff capacity to increase its current sewer services,⁶⁸ which reduces the likelihood of achieving significant economies of scale.

A more detailed analysis of the BHSMD system by the City is required for the City to provide an estimate of potential operating cost savings and efficiencies.⁶⁹ Changes in City billing methodologies compared to current BHSMD bills from the City could also affect future rates.

CHANGES IN SERVICE PROVIDERS

Following completion of the estimated \$12.7 million of capital improvements, annexation of the BHSMD territory and other unincorporated areas to the City would shift responsibility for municipal services in the annexed area from the County of San Mateo to the City. The City of Burlingame is a California general law city⁷⁰ and provides a range of public services to its 30,300 residents.⁷¹ TABLE III-1 shows current service providers to unincorporated areas and the service providers within the City that would serve all annexed areas.

Sewer

As described above under “Impacts on Sewer Service Rates”, BHSMD would remain intact under the management of the County’s DPW until the estimated \$12.7 million of improvements are completed. Following completion, annexation would occur and BHSMD would be dissolved and its operations and facilities merged with the City’s sewer system. The City may create a sewer “zone” for the Burlingame Hills area for the purpose of cost allocation and sewer rate determinations.

Water

Annexation would trigger no changes in current provision of water. The City DPW’s Water Division currently provides drinking water to Area A, Burlingame Hills, and Area B, North Skyline. The Town of Hillsborough serves portions of Area A, Burlingame Hills, and Area C, South Skyline. Rates charged by the City to Burlingame Hills residents are the same as City residents’ rates.⁷²

⁶⁸ City of Burlingame Response to 8/9/19 data request, 8/30/19.

⁶⁹ City of Burlingame Response to 8/9/19 data request, 8/30/19.

⁷⁰ A “general law city” is a municipality that is limited to governmental structures and powers specifically granted by state law (California Government Code commencing with Section 34100). Cities that adopt their own charter may adopt their own procedures for various matters, e.g., manner of conducting local elections and the city’s dealings with its municipal officers and employees. Approximately one-quarter of California cities are charter cities.

⁷¹ Dept. of Finance, population as of January 2019.

⁷² City of Burlingame 8/30/19 response to 8/9/19 data request.

Police Protection

Following annexation, the City of Burlingame's Police Department will patrol and respond to calls from the annexed areas currently served by the San Mateo Sheriff's Department. The City's police department of 60 Full-Time Equivalents (FTE) provides community patrol, 911 communications and dispatch, crime prevention, K-9 Program, traffic safety, parking enforcement, and community outreach.⁷³ The Department reported 41,172 calls for service in 2018.⁷⁴

TABLE III-3 in CHAPTER 3 of this report summarizes incidents in Burlingame Hills to which the Sheriff's Department responded. In 2018, the County responded to 338 incidents. The County's General Fund's net cost for all criminal justice functions represents about 55 percent of total cost for those functions.⁷⁵

Fire Protection

The Central County Fire Department (CCFD) currently serves the City through a Joint Powers Agreement with the Town of Hillsborough. CCFD would be responsible for fire protection services, including post-fire inspections, to currently unincorporated areas after annexation instead of the County of San Mateo ("County Fire"). The CCFD would also be likely to implement a Wildland Urban Fire Interface (WUI) program to inspect parcels in Burlingame Hills, which has areas that include high fire severity zones.⁷⁶ All City prevention ordinances would apply to BH, possibly affecting planning and building approvals and projects.

Although the County of San Mateo ("County Fire") currently is responsible for fire protection services to the unincorporated Burlingame Hills area and other unincorporated areas considered in the Study, CCFD responds to nearly all of the reported incidents due to the proximity of its stations to Burlingame Hills per its "Automatic Aid and First Response" agreement with other fire protection agencies in the County.⁷⁷ For example, in 2018 CCFD responded to all 70 incidents reported in the Burlingame Hills area as shown in TABLE III-4 in CHAPTER III. County fire services in FY20 are funded entirely by its Structural Fire Fund (SFF); SFF property taxes are the primary source of revenue to the Fund.

The Central County Fire Department (CCFD) was established through a Joint Powers Agreement (JPA) between the City and the Town of Hillsborough with essential support services provided by the two cities. As described in the CCFD budget, the Department is governed by a Board of Directors ("Board")

⁷³ Fiscal Year 2019-20 Adopted Budget, City of Burlingame, June 17, 2019, pg. 119-127.

⁷⁴ Ibid, City of Burlingame FY20 Budget, pg. 122.

⁷⁵ County of San Mateo FY2019-21 Recommended Budget, Criminal Justice, pg. 1-2.

⁷⁶ City of Burlingame 8/30/19 response to 8/9/19 data request.

⁷⁷ Agreement for Exchange of Emergency Medical, Rescue and Fire Protection Services Automatic Aid and First Response, June 15, 2009.

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.⁷⁸ The CCFD also provides contract services to the City of Millbrae.

Community Development

Following annexation, residents of Burlingame Hills and other annexed areas will seek review and obtain approvals of building and remodeling plans from the City's Community Development Department (CDD) instead of the County of San Mateo's Planning and Building Department. The City's CDD consists of the Planning Division (which includes Economic Development) and the Building Division. The Department is responsible for long-range and current planning activities, plan checking, building permit issuance, code enforcement and field inspections of all buildings and structures in Burlingame.

As summarized in TABLE III-5 in CHAPTER III, the County issued 29 permits in 2018 in Burlingame Hills for improvements valued at \$3.5 million and generated \$153,100 in permit fee revenue. Overall, about 60 percent of the department's activities are funded through permits, fees and charges for service; the remaining Net County Cost funds the remaining 40 percent of total expenditures.⁷⁹

According to the City's CCD, in the event of annexation, all properties would be subject to R-1 zoning standards in Burlingame Municipal Code (Code Sec. 25.26); any deviations would be considered existing non-conforming conditions. Various uses would be subject to design review by the City's Planning Commission (Code Sec. 25.57). The CDD assumes that Burlingame Hills would be subject to Hillside Area Construction Permit review (Code Sec. 25.61) regulating obstruction of views.

Parks and Recreation

The City's Parks and Recreation Department includes the Parks, Recreation, and Aquatics Divisions. The Department is responsible for offering a wide variety of programs, classes, and events and maintaining open spaces, parks, athletic fields, playgrounds, and the landscape of City facilities and the City's urban forest, which includes City park trees and City street trees. In FY 2019-2020, the Department will begin the construction of a new Community Center.⁸⁰ Charges for services fund about 30 percent of expenditures; Burlingame Hills residents are charged resident rates.⁸¹

No changes to current County parks services are likely following annexation.

⁷⁸ Central County Fire Department Fiscal Year 2019-2020 Adopted Budget, pg. 1.

⁷⁹ County of San Mateo FY2018-19 Adopted Budget, Budget Unit Summary (3800B), pg. B-69.

⁸⁰ *ibid*, City of Burlingame FY20 Budget, pg. 109.

⁸¹ City of Burlingame 8/30/19 response to 8/9/19 data request.

Library Services

The City provides a range of library programs and services at its main library and its Easton Branch; its circulation is a reported 688,058 and attendance is 48,128.⁸² The services are largely funded by the General Fund, with approximately 11 percent of funding from the Town of Hillsborough. Because the Burlingame Library is part of a consortium of 32 Libraries and branches (Peninsula Library System) for all of San Mateo County, including the community colleges, most library services are free to anyone with a valid card at any library in the system.⁸³

The City reports that its library serves 535 patrons from Burlingame Hills, or approximately half of the estimated 1,063 total Burlingame Hills residents. Of the 535 Burlingame Hills library patrons, 286 have used their library cards in some way (checked out materials, used a computer, downloaded an eBook) in the last year.⁸⁴

The County of San Mateo is a member of the San Mateo County Libraries Joint Powers Authority (JPA) which does not include the City. The JPA is partially funded by a share of property tax. The JPA property tax funds operation in member libraries, and members fund library maintenance.

Road Maintenance

The City's Department of Public Works (DPW) will become responsible for maintenance of the 6.3 centerline miles of Burlingame Hills roads following annexation. The City's DPW maintains the City's 84 centerline miles of road.

The City's average pavement condition index (PCI) was a 76 (a PCI from 70-89 is "Very Good") in FY18 and expected to further improve to a PCI of 81 in FY19.⁸⁵ The City's policy is to achieve an average rating of 65 for all streets.⁸⁶ Road maintenance and improvements are funded by Measure A sales tax, State gas taxes, and State SB1 revenues, which total about \$2.2 million annually.⁸⁷ The City estimates that road resurfacing in FY19-20 will be \$1.75 million.⁸⁸

As noted in the "Roads" section of CHAPTER II, the County-maintained roads in Burlingame Hills have an average PCI of 76. The County's CIP proposes total expenditures of approximately \$1 million through 2025, assuming funding is available. The County's Road Construction and Operations are primarily

⁸² Ibid, City of Burlingame FY20 Budget, pg. 4.

⁸³ City of Burlingame 8/30/19 response to 8/9/19 data request.

⁸⁴ City of Burlingame 8/30/19 response to 8/9/19 data request.

⁸⁵ Ibid, City of Burlingame FY20 Budget, pg. 137.

⁸⁶ FY18 CAFR City of Burlingame, Note 4, pg. 117.

⁸⁷ Ibid, City of Burlingame FY20 Budget, pg. 32.

⁸⁸ City of Burlingame 8/30/19 response to 8/9/19 data request.

funded by taxes and intergovernmental revenues and there is no Net County Cost in FY20.⁸⁹ Annexation would result in a shift of a portion of gas taxes and Measure A revenues from the County to the City.

Solid Waste

Annexation would result in the City rather than the County overseeing a contract for services. The County and the City are members of the South Bayside Waste Management Authority (SBWMA), a joint powers authority that contracts with Recology and South Bay Recycling for solid waste collection and disposal, inert recyclable materials collection, and yard and organic waste collection and composting.⁹⁰ A portion of the fees charged for garbage collection and disposal is used to fund cleaning of downtown sidewalks, parking lots, and public trash receptacles. Burlingame residents are charged different rates, and services differ slightly from those currently provided to unincorporated area residents.

Storm Drainage

Following annexation, the City would become responsible for maintenance of storm drainage associated with the annexed areas and streets. Currently the City operates and maintains 50 miles of storm drain systems and creeks, including regular cleaning of creeks, channels, catch basins, trash capture devices, and pipe systems, and maintaining five pump station facilities to prevent flooding.⁹¹ The City also sweeps its streets weekly.

The City funds storm drainage programs using storm drainage fee revenue⁹² projected to be \$3 million in FY20. The fee is based on the square footage of impervious surface; for example, a lot size of 6,000 square feet and a typical 60% impervious surface would pay \$183 annually,⁹³ and a 10,000 square foot lot (with 50% coverage) would pay \$300 or more. The fee can be increased by the City Council up to 2 percent annually. The fee will apply to all parcels annexed to the City.

Management and Administration

Following annexation, the Burlingame City Council will be the five-member governing body, elected at large, who will represent newly annexed City residents. The Council “provides political leadership, enacts laws, adopts resolutions, and establishes policies for the City government. The City Council adopts an annual budget and conducts an annual audit of the City’s finances.”⁹⁴ The Council is supported

⁸⁹ County of San Mateo FY2019-20 Recommended Budget, Road Construction and Operations (4520B), pg. 4-124.

⁹⁰ Ibid, City of Burlingame FY20 Budget, pg. 143.

⁹¹ Ibid, City of Burlingame FY20 Budget, pg. 144-145.

⁹² Storm Drainage Fee approved by voters, Ordinance No. 1836 adopted January 20, 2009.

⁹³ Rate applicable to FY19-20 is \$0.05086 per square foot of impervious surface, per City Response 8/30/19 to Data Request 8/9/19.

⁹⁴ Ibid, City of Burlingame FY20 Budget, pg. 55.

by management and administrative staff and departments including the City Manager, City Attorney, City Clerk, Finance and Human Resources.

The Study Areas currently are represented by one member of the County Board of Supervisors.⁹⁵ The unincorporated population of the Study Area is about 1,100. The number of voters is about one percent of the total District 1 electorate. The Board of Supervisors oversees Countywide services provided to all cities and unincorporated areas, and municipal services to unincorporated areas. The County Manager directs County departments that include Criminal Justice, Health Services, Social Services, and Community Services. Administrative departments include the Assessor-County Clerk-Recorder, Controller, Treasurer-Tax Collector, County Counsel, Human Resources, and Information Services.

IMPACTS ON OTHER RATES AND CHARGES TO RESIDENTS

Following annexation, Burlingame Hills and other study area residents will face a different set of fees and charges for services currently provided by the County. TABLE VIII-1 summarizes changes, following annexation, to various taxes and fees currently paid by unincorporated area residents, in addition to sewer rates.

⁹⁵ Burlingame Hills is represented by District 1 Supervisor Dave Pine.

TABLE VIII-1 SUMMARY OF RATES AND CHARGES - STATUS QUO VS. ANNEXATION

Item	Governance Option/Jurisdiction	
	Status Quo (Option 1) County of San Mateo	Annexation (Options 2-3) City of Burlingame
Property Tax	1.0% Basic Property Tax and approx. 0.12% additional for various fees and school bonds (BHSMD charges are also collected on annual property tax bill).	Same as Status Quo, except that sewer charges may be billed monthly by the City and not appear on annual tax bill. Allocations to County agencies, City and BHSMD will change.
Sales and Use Taxes	State and local taxes including 1% to County and 1/2% Measure A Countywide Transportation sales tax.	Same as Status Quo PLUS 1/4 percent Measure I use tax on purchase of vehicles that are then registered in City.
NPDES Storm Fee	\$7.10/parcel	\$7.10/parcel
Burlingame Storm Drainage Fee	No Storm Drainage Fee (other than NPDES fee).	\$0.0492 per sq.ft. of impervious surface. Typical 6,000 sq.ft. lot would pay \$150/yr (typically \$300 or more in BH) billed on property tax bill.
Business License	No business license required except certain types of businesses (eg, pawn brokers, massage, fortune telling).	\$100 annually
Sewer	\$1,675/year current rates will increase in order to fund \$12.7 mill. priority capital improvements	Typical City charge of \$880/yr (assuming about 6,000 gal./month) likely higher in Burlingame Hills zone to fund \$12.7 mill. priority capital improvements.
Water	Same as City of Burlingame (for most parcels, which currently are served by the City).	\$9.79-\$10.98/1,000 gal. per month depending on usage. Typical SFD charge of \$103/month inc. service charge
Solid Waste	\$39.99/month (32 gal.) \$61.95/month (64 gal.) Residential (eff. 2/1/19)	\$25.28/month (32 gal.) \$50.57/month (64 gal.) Residential

11/18/19

FISCAL IMPACTS ON THE CITY OF BURLINGAME

Upon annexation, the City would become responsible for providing municipal services to the area, replacing the County's responsibility to provide, for example, police and fire protection services, planning and permitting functions, and road maintenance. The County would continue to provide services that it provides Countywide.

An evaluation of potential fiscal impacts indicates that annexation could produce a "break-even" outcome for the City. Over the longer-term, the addition of property value and the ability to spread City costs over a larger base could enhance City revenues. Depending on property tax share negotiations required for annexation, fiscal benefits to the City could be improved, for example, depending on the re-allocation of County Fire Fund property taxes to the City to reflect the provision of fire protection to Burlingame Hills by the City.

There would be no significant fiscal impact on the City from sewer operations since BHSMD would have completed capital improvements, residents of the sewer zone would be responsible for ongoing costs, and the budget forecast includes contributions to reserves for future capital needs after completion of the estimated \$12.7 million of improvements.

TABLE VIII-2 summarizes the potential fiscal impacts on the City resulting from annexation of the Study Areas. The estimated fiscal impacts are intended to represent "marginal" costs or revenues, or actual budget changes; only those items potentially affecting the City's budget are allocated – existing costs and revenues unaffected by annexation are not allocated. Additional detail is contained in APPENDIX C.

TABLE VIII-2 shows that estimated revenue increases from annexation slightly exceed marginal cost increases. If a City share of the County's Fire Fund property tax revenue is negotiated between the County and the City to help fund City fire protection services to Burlingame Hills as part of the annexation tax share agreement, the City's fiscal surplus would increase. The full amount of Fire Fund property tax may not be transferred to the City, for example, if a share contributes to continued funding of existing County fire service costs. Property tax sharing is further described below.

TABLE VIII-2 SUMMARY OF FISCAL IMPACTS OF ANNEXATION ON THE CITY

Budget Item	Area A	Area B	Area C	Total
GENERAL FUND REVENUES				
Property Tax (1)	\$445,031	\$7,176	\$1,475	\$453,682
(less) BHSMD Prop. Tax to Sewer (2)	(78,953)	0	0	(78,953)
Other Revenues (inc. storm drainage)	<u>264,527</u>	<u>4,899</u>	<u>3,062</u>	<u>272,487</u>
Total Revenues	\$630,606	\$12,075	\$4,537	\$647,217
GENERAL FUND EXPENDITURES (Net of Service Charges)				
General Government (3)	\$111,482	\$2,064	\$1,290	\$114,837
Public Safety (4)	0	0	0	0
Public Works (inc. storm drainage)	278,376	8,436	8,436	295,247
Community Development	37,075	687	429	38,190
Leisure and Cultural Services (5)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	426,932	11,187	10,155	448,274
GENERAL FUND NET	\$203,673	\$888	(\$5,618)	\$198,943
ROAD FUND (6)				
Revenues	\$72,641	\$1,345	\$841	74,827
Expenditures	<u>184,643</u>	<u>not est.</u>	<u>not est.</u>	<u>184,643</u>
NET	(\$112,002)	\$1,345	\$841	(\$109,816)
TOTAL GENERAL FUND AND ROAD FUND	\$91,671	\$2,233	(\$4,778)	\$89,127
Fire Fund Re-Allocation (to be negotiated) (7)	<u>\$413,727</u>	<u>\$6,671</u>	<u>\$1,371</u>	<u>\$421,770</u>
TOTAL if maximum share of Fire Fund	\$505,399	\$8,905	(\$3,406)	\$510,897

- (1) Property tax net of City & current BHSMD allocations to the State Educational Revenue Augmentation Fund.
Amount shown excludes share of County Fire Fund to be negotiated. Maximum shown at bottom of table.
- (2) Assumes current BHSMD property tax continues to be allocated to sewer operations for an interim period.
- (3) General Government cost impacts estimated proportionate to increase in City population.
- (4) City indicated no significant impact on City police services; Central County Fire currently serves the area.
- (5) Burlingame Hills residents already utilize City library and recreation facilities & pay current City resident fees.
- (6) Road fund assumes transfer of certain road-related taxes from County.
- (7) Amount of Fire Fund property tax re-allocation dependent on County-City annexation tax share negotiations.

Property Tax Sharing

The LAFCO annexation process requires a tax share agreement between the County and the City that determines the transfer of a share of the property taxes currently generated in the annexed area.

TABLE VIII-3 summarizes the property taxes generated within the District and the other study areas, and includes agencies affected by a potential annexation that could shift property taxes to the City. Other agencies receiving a share of property tax from the area will continue to serve the residents regardless of whether or not the area served shifts from unincorporated to city boundaries, and their share of property tax will be unaffected.

In the event of an annexation, the District's current share of property taxes would be subject to transfer to the City. LAFCO Terms and Conditions and the tax share agreement can specify the disposition of current property taxes and their continued (or interim) use for sewer services to the former BHSMD area within a City sewer service zone.

In addition, property taxes accruing to other public entities serving the unincorporated areas to be annexed would be subject to transfer to the City. Other agencies' property tax revenues subject to transfer include:

- **County General Fund** – In the event of annexation, the County will transfer certain service responsibilities for the annexed area to the City as described in CHAPTER IX. A transfer of a portion of property tax from the County to the City, in addition to other new City revenues from the annexed areas, would help fund increased City services to annexed areas.
- **County Free Library** – The City maintains and funds its own library services and residents' tax bills do not include a share of property tax to the Free Library system.
- **County Structural Fire Fund** – The City is responsible for fire service within its jurisdiction (and to neighboring communities through mutual aid) by its participation in the Central County Fire Department. Currently, the County's fire service responsibilities to the unincorporated areas are partially funded by a share of property tax, however, Central County Fire has primary responsibility for responding to calls in the annexation areas due to its stations' proximity.

The amount and nature of the property transfer will depend on the tax sharing agreement between the County and the City. This Governance Options Study provides an initial assessment of potential property tax sharing based on achieving current shares of property tax to the County and to the City within City boundaries.

TABLE VIII-4 shows the resulting reduction of property tax revenues to County entities if annexation results in the property tax shift shown in TABLE VIII-3. The amounts shown in TABLE VIII-4 are adjusted for ERAF allocations to indicate the net impacts post-ERAF changes.

TABLE VIII-3 PROPERTY TAXES SUBJECT TO NEGOTIATION (FY18-19)

Item	Annexed Service Area				%
	Area A Burlingame Hills	Area B N. Skyline	Area C S. Skyline	A-C Total	
<u>Assessed Value</u>					
Total Assessed Value	\$595,277,604	\$9,598,753	\$1,973,048	\$606,849,405	
<u>Tax Increment Subject to Negotiation (1)</u>					
County General Fund	\$1,798,086	\$29,657	\$6,100	\$1,833,842	30.2%
County Free Library	262,113	4,323	889	267,325	4.4%
County Structural Fire	<u>487,328</u>	<u>8,037</u>	<u>1,653</u>	<u>497,019</u>	<u>8.2%</u>
Subtotal County	2,547,527	42,017	8,642	2,598,186	42.8%
Burlingame Hills Sewer Maint. Dist.	<u>131,589</u>	<u>0</u>	<u>0</u>	<u>131,589</u>	<u>2.2%</u>
Subtotal Increment	\$2,679,115	\$42,017	\$8,642	\$2,729,774	45.0%
Other Agencies' Tax Increment	<u>\$3,273,661</u>	<u>\$53,971</u>	<u>\$11,088</u>	<u>\$3,338,720</u>	<u>55.0%</u>
Total Increment	\$5,952,776	\$95,988	\$19,730	\$6,068,494	100.0%
<u>Tax Increment Post-Annexation</u>					
County General Fund (2)	\$1,665,749	\$26,860	\$5,521	\$1,698,130	28.0%
County Free Library	0	0	0	0	0.0%
County Structural Fire	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0.0%</u>
Subtotal County	\$1,665,749	\$26,860	\$5,521	\$1,698,130	28.0%
Burlingame Hills Sewer Maint. Dist.	0	0	0	0	0.0%
City of Burlingame (2)	1,011,972	16,318	3,354	1,031,644	17.0%
Other	<u>3,275,055</u>	<u>52,810</u>	<u>10,855</u>	<u>3,338,720</u>	<u>55.0%</u>
Total	\$5,952,776	\$95,988	\$19,730	\$6,068,494	100.0%

(1) Adjustments to property tax subject to a sharing agreement between the County and City.

Increment shown is prior to shift to Educational Augmentation Revenue Fund.

Taxes shown based on increment factors times assessed value. This methodology assumes that Prior Year's property tax to each entity ("Base") represents approximately the same share of total taxes as its incremental share of the growth in taxes to the current year.

(2) County & City increment factors post-annexation are comparable to current average factors in the City.

Property tax allocations and increment factors are to be negotiated as part of a County-City tax share agreement.

Other Revenues

Other City revenues potentially affected by annexation include:

- **Franchise Tax** – Revenues to the City are generated by various franchises from payments by various utilities including PG&E, Comcast, AT&T, and Astound. The Budget Forecast assumes these revenues could increase proportionate to the increase in City population added by the annexation, an increase of approximately \$60,000 annually.

- **Transfer Taxes** – The re-sale of homes in Burlingame Hills could produce about \$39,000 of additional annual transfer tax revenue to the City. The Budget Forecast assumes a five percent turnover rate of homes, average sales price of \$2.3 million, and a tax rate of \$0.55 per \$1,000 of value.
- **Storm Drainage Fees** – After annexation, the new residents will be subject to the City’s storm drain fees, which are based on lot coverage. The Budget Forecast assumes an average lot size of 10,000 square feet, 60% average coverage, and a current annual fee of \$0.0586 per square foot of coverage. An estimated \$136,000 annually would be generated to the City.

Other potential revenues not estimated include local sales tax (Measure I, a ¼ cent sales tax) that could increase with the addition of City residents, for example, upon purchase of a vehicle outside of the City. Otherwise, the analysis assumes that Burlingame Hills residents already make purchases in the City that result in the 1% rate that accrues to the City, and their expenditure patterns won’t change or increase City tax revenues.

Expenditures

Estimated additional City expenditures include:

- **General Government** – The Budget Forecast assumes that overhead functions would increase proportionate to the increase, or fraction of the increase, in the number of City residents due to annexation. The analysis projects general government costs to increase at 50 percent of the current per capita cost multiplied by the additional residents, an annual increase of about \$115,000. No significant increase is assumed due to the merger of the BHSMD system, although it is likely that transition costs will be incurred to integrate the BHSMD sewer system, e.g., merging operations and billing into the City’s structure.
- **Public Safety** – The City has indicated that the annexation of Burlingame Hills alone will not require additional police staff; however, “annexation, coupled with current and anticipated growth in other areas of the city, would factor into potential personnel additions in the future.”⁹⁶ No additional fire protection costs are assumed, since Central County Fire already provides most responses to calls in Burlingame Hills. Some additional costs may be incurred for fire prevention inspections to the area.
- **Public Works (Streets and Storm Drainage)** – The Public Works General Fund costs are estimated proportionate to the increase in lineal road miles. The public works costs, including storm drainage costs, are estimated at \$295,000 annually and are partially offset by storm

⁹⁶ City of Burlingame 8/30/19 response to 8/9/19 data request.

drainage fees. Road costs, an estimated increase of \$185,000 annually, are funded by non-General Fund sources (see below).

- **Community Development** – – The Budget Forecast assumes that Community Development costs would increase proportionate to the increase in City residents. The City has indicated that annexation could create a need for an additional 0.25 Full-Time Equivalent employee (FTE);⁹⁷ the per capita estimate totaling \$38,000 in the Budget Forecast approximates this additional staff.
- **Leisure and Cultural Services** – No impact to library or recreation services is estimated; it is assumed that Burlingame Hills residents already utilize City programs and facilities and therefore will not have an additional impact following annexation.
- **Roads** – Increases in road maintenance costs are estimated based on the City’s total resurfacing costs of \$1.75 million annually⁹⁸ per lineal road miles (84 lineal miles), multiplied by Burlingame Hills lineal road miles.

The City provides a broad range of municipal services; the services and costs noted above focus on those services potentially directly affected by the addition of residents. Other City budget expenditures, for example, existing debt service and net pension and OPEB liabilities, depreciation and maintenance of existing facilities are assumed to be unaffected directly by annexation.

FISCAL IMPACTS ON THE COUNTY OF SAN MATEO

TABLE VIII-4 estimates the shift of property tax revenues from various County funds and entities to the City, if annexation occurs. The estimates are further described in this chapter in the section “Property Tax Sharing” and in TABLE VIII-3, above. The losses are partially offset by reduced service costs described below. The actual property tax impacts depend on an annexation tax share agreement that would be negotiated between the City and the County.

⁹⁷ City of Burlingame CDD Response to 8/9/19 data request, 8/30/19.

⁹⁸ City of Burlingame 8/30/19 response to 8/9/19 data request.

TABLE VIII-4 COUNTY OF SAN MATEO PROPERTY TAX REDUCTIONS DUE TO ANNEXATION (NET OF ERAF)

Budget Item	Area A	Area B	Area C	Total
<u>Fund or Government Entity (net of ERAF) (1)</u>				
County General Fund (2)	\$79,588	\$1,313	\$270	81,171
County Free Library (3)	209,169	3,450	710	213,328
County Structural Fire (3)	<u>524,025</u>	<u>8,643</u>	<u>1,778</u>	<u>534,445</u>
Subtotal County	\$812,782	\$13,405	\$2,757	\$828,944
Burlingame Hills Sewer Maint. Dist. (3)	<u>78,953</u>	<u>0</u>	<u>0</u>	<u>78,953</u>
Total, Property Tax Reductions	\$891,735	\$13,405	\$2,757	\$907,897

(1) Amounts shown include adjustments to deduct allocations to the State's Educational Revenue Augmentation Fund (ERAF).

(2) County General Fund rate declines from 30.2% to 28.0%. City receives 17.0% post-annexation.

(3) Rates eliminated in City-annexed areas include the County Free Library, County Structural Fire Fund, and BHSMD. Fire Fund receives ERAF, so net taxes (and potential loss) after ERAF are greater than amount subject to transfer (before ERAF).

Note: Transfer amounts are estimates only for the purpose of the Governance Options Study; actual property tax allocations will be determined in a tax sharing agreement between the City and the County. Estimates based on FY19 assessed values which would be revised depending on annexation timing.

11/19/19

The revenue reductions will be partially offset by corresponding service and cost reductions, although the cost reductions are likely to be minimal.

- **County General Fund** – Following annexation, the County Sheriff will no longer be responsible for responding to calls in Burlingame Hills. As described in CHAPTER III, the number of calls is minimal; the City does not anticipate any change in staffing required by taking over police services to the area due to the relatively low number of calls from the area. No significant cost savings to the County for the shift is assumed.
- **County Free Library** – Burlingame Hills residents currently utilize the City's library system; no change in use patterns is likely, and no cost savings to the County Free Library.
- **County Structural Fire** – The City is the primary fire service provider to the Burlingame Hills area due to the proximity of its stations, so no significant cost savings is likely to the Structural Fire Fund. County structural fire will experience a revenue loss identified above and the property tax negotiation could include a transfer of Fire Fund property tax revenues to the City to fund emergency response currently provided by the City to Burlingame Hills.
- **Burlingame Hills Sewer Maintenance District** – BHSMD does not incur a net County Cost, as it is entirely funded through property taxes and service charges; therefore, a shift of sewer services to City responsibility, and shift of BHSMD's current property taxes, will have no impact on the

County. Eliminating the need for County DPW services to BHSMD would enable County DPW staff to serve the remaining County-dependent districts and provide other County public works services more efficiently and effectively.

- **Other Services** – Responsibility for street sweeping to the area, estimated at \$35,000 annually,⁹⁹ will be shifted to the City, reducing County costs. The only road treatment currently programmed is the \$93,000 cape seal of Canyon Road in 2020 with “One Bay Area Grant” (OBAG) funding.¹⁰⁰ Future road maintenance costs to the area will become the City’s responsibility, although the cost reduction will be offset by a shift of approximately \$33,500 of road-related revenues to the City.¹⁰¹ The City is likely to receive additional gas taxes with additional population, however, these revenues are not all directly shifted from the County’s share of gas tax receipts.

⁹⁹ County DPW Data Request Response 1, 6/3/19.

¹⁰⁰ County DPW Data Request Response 1, 6/3/19. OBAG funds are allocated by the Metropolitan Transportation Commission (MTC) to cities and counties approving new housing construction and meeting housing targets, and to Priority Development Areas.

¹⁰¹ County DPW estimates a shift of Measure A allocations to local roads and transportation of \$33,500 (County DPW, 9/10/19). There may be a minimal impact on other gas tax and road revenues.

IX. OPTION 3:

ANNEXATION TO THE CITY AND BHSMD DISSOLUTION WITH COUNTY PARTICIPATION IN FUNDING FOR CITY COMPLETION OF CAPITAL IMPROVEMENTS

Under this option, the City would annex Burlingame Hills (and two other unincorporated areas). BHSMD would simultaneously be dissolved and its functions, assets and liabilities would be merged with the City's operations. The County, in addition to Burlingame Hills sewer ratepayers, would be responsible for participating in funding the estimated \$12.7 million of needed capital improvements to the former BHSMD system.

Following BHSMD dissolution and merger of sewer operations with the City, it is expected that the City will form a zone encompassing the area of the former BHSMD. In addition to County participation in the estimated \$12.7 million of capital improvements, funding would come from ratepayers in this zone in order for the City to complete needed sewer system repairs, and to provide reserves for future capital improvements. Depending on property tax share negotiations required for annexation, property tax re-allocations could help fund capital improvements. The specific manner of financing and County participation could reduce rates required to help fund the estimated \$12.7 million of improvements.

Potential economies of scale from dissolution and merger of the BHSMD sewer system with the City could help minimize rate increases noted in CHAPTER IX. Operating efficiencies could be achieved utilizing the City's utility and management staff and other administrative. However, the City has indicated that its current staff is fully engaged, and the City's ability and cost to provide sewer services to Burlingame Hills and achieve economies of scale is contingent on further detailed evaluation of the BHSMD system.

Annexation of Burlingame Hills (and two other unincorporated areas) could produce a fiscal "break-even" for the City's budget. Depending on property tax share negotiations required for annexation, the tax sharing could create fiscal benefits to the City in excess of costs, depending on the use of property tax re-allocations to fund the estimated \$12.7 million of capital improvements to the BHSMD system.

The analysis assumes that the City creates a zone for Burlingame Hills in order to allocate sewer operations and capital costs specific to that area. Therefore, there would be no significant fiscal impact on the City from the Burlingame Hills sewer system since the County would have completed capital improvements, residents of the zone would be responsible for ongoing costs, and the budget forecast includes establishment of reserves for future capital needs.

IMPACTS ON SEWER SERVICE RATES

Sewer service rates to current Burlingame Hills residents for Option 3 are likely to increase similar to the Status Quo Option 1 and Option 2 in order to fund capital improvements, although potential economies of scale due to merger with City operations could help mitigate rate increases attributable to operating costs.

TABLE IX-1 provides a Budget Forecast for Option 3 that shows that potential rate increases required, primarily due to the cost of future capital improvements. The operating component of rate increases for Option 3 are slightly less than shown for the Status Quo Budget Forecast because the Option 3 sewer system merger with the City assumes:

- Current District administration expenses are eliminated.
- Existing City overhead costs are spread over a greater rate base. Cost savings and continued allocation of current BHSMD property taxes shown in the Budget Forecast could help to fund transition costs (e.g., system planning, billing, GIS, etc.).

Annual contributions to capital reserves equal three percent of infrastructure cost; these funds are not utilized during the forecast period so they can be accumulated and reduce future interest costs for capital replacement on an ongoing basis.

Current City charges to BHSMD for sewer collection and treatment, which include an administrative component, are assumed to continue at current costs increased by inflation. Future costs will differ from those shown to the extent that City costs and allocations change. Costs for office staff and sewer crew are assumed to continue at a cost level (inflated) similar to current County DPW charges to BHSMD, although City sewer and administrative staff will be utilized; the costs are likely to differ from the forecast depending on City staff allocations and costs. Cost savings are possible if current City staff have the capacity to provide services to the annexed area, however, the City has indicated that staff capacity currently is unavailable.¹⁰²

¹⁰² City of Burlingame Response to 8/9/19 data request, 8/30/19.

TABLE IX-1 SEWER BUDGET FORECAST – ANNEXATION AND BHSMD DISSOLUTION/MERGER WITH THE CITY

Item	FY19-20	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30
Operations & Existing Debt Service Rate	\$1,675	\$1,675	\$1,424	\$1,424	\$1,139	\$1,162	\$1,220	\$1,281	\$1,345	\$1,412	\$1,483
Future Debt & Capital Reserves Rate	<u>\$0</u>	<u>\$89</u>	<u>\$521</u>	<u>\$521</u>	<u>\$969</u>	<u>\$969</u>	<u>\$1,315</u>	<u>\$1,315</u>	<u>\$1,608</u>	<u>\$1,608</u>	<u>\$1,885</u>
Avg. Combined Rate	\$1,675	\$1,764	\$1,944	\$1,944	\$2,108	\$2,131	\$2,535	\$2,596	\$2,953	\$3,021	\$3,367
Charges for Services	735,325	774,325	853,534	853,534	925,617	935,617	1,112,725	1,139,501	1,296,481	1,326,002	1,478,283
Property Taxes	80,467	84,490	88,715	93,151	97,808	102,699	107,833	113,225	118,886	124,831	131,072
Use of Money and Property, Other	<u>35,000</u>	<u>36,050</u>	<u>37,132</u>	<u>38,245</u>	<u>39,393</u>	<u>40,575</u>	<u>41,792</u>	<u>43,046</u>	<u>44,337</u>	<u>45,667</u>	<u>47,037</u>
Total Revenues	850,792	894,865	979,380	984,930	1,062,818	1,078,890	1,262,350	1,295,771	1,459,704	1,496,499	1,656,393
EXPENDITURES											
<u>Operations</u>											
Sewage Treatment and Disposal	285,717	294,289	303,117	312,211	321,577	331,224	341,161	351,396	361,938	372,796	383,980
<u>System Maintenance and Improvements</u>											
Contract Design, Engineering and Testing	230,000	270,000	31,827	34,778	35,822	36,896	38,003	39,143	40,317	41,527	42,773
DPW Engineering Services	182,275	187,743	193,376	199,177	205,152	211,307	217,646	224,175	230,901	237,828	244,962
Other Maintenance	<u>9,000</u>	<u>9,270</u>	<u>9,548</u>	<u>9,835</u>	<u>10,130</u>	<u>10,433</u>	<u>10,746</u>	<u>11,069</u>	<u>11,401</u>	<u>11,743</u>	<u>12,095</u>
Subtotal, System Maintenance	421,275	467,013	234,751	243,790	251,103	258,636	266,395	274,387	282,619	291,098	299,830
<u>Administration</u>											
Other Overhead/Admin, Dept'l, Misc. (1)	<u>34,025</u>	<u>35,046</u>									
Total Expenditures	741,017	796,348	537,868	556,000	572,680	589,861	607,556	625,783	644,557	663,893	683,810
Net Operating Income	109,775	98,518	441,513	428,930	490,138	489,030	654,793	669,988	815,148	832,606	972,582
DEBT SERVICE											
Subtotal Debt Service (existing)	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637	95,637
Subtotal Debt Service (New)	0	0	114,508	114,508	233,596	233,596	325,202	325,202	403,067	403,067	476,352
Coverage	115%	103%	210%	204%	149%	149%	156%	159%	163%	167%	170%
Total Expenditures (inc. debt)	\$836,654	\$891,985	\$748,013	\$766,145	\$901,913	\$919,094	\$1,028,396	\$1,046,622	\$1,143,261	\$1,162,598	\$1,255,800
NET AFTER DEBT SERVICE (before CIP)	\$14,138	\$2,881	\$231,368	\$218,785	\$160,905	\$159,797	\$233,954	\$249,149	\$316,443	\$333,902	\$400,593
Fund Transfers to Capital Projects	1,000,000	1,300,000									
Other Transfers Out	11,192	11,528	11,874	12,230	12,597	12,975	13,364	13,765	14,178	14,603	15,041
Ending Fund Balance	\$1,572,255	\$224,608	\$330,102	\$422,658	\$378,966	\$333,788	\$302,378	\$285,763	\$285,028	\$301,327	\$335,879
% of Operating Costs (50% target)	212%	28%	61%	76%	66%	57%	50%	46%	44%	45%	49%
Cumulative Reserves for Future Capital		\$39,000	\$153,000	\$267,000	\$459,000	\$651,000	\$903,000	\$1,155,000	\$1,458,000	\$1,761,000	\$2,112,000

(1) Merger option assumes that District overhead is eliminated. City will require overhead expenditures, but it is assumed these are offset through rates and efficiency gains. 11/20/19

CHANGES IN SERVICE PROVIDERS

Annexation of the BHSMD territory and other unincorporated areas to the City would shift responsibility for municipal services in the annexed area from the County of San Mateo to the City. TABLE III-1 shows current service providers to unincorporated areas and the service providers within the City that would serve all annexed areas.

The service provider changes for Option 3 resulting from annexation are the same as those described for Option 2 (following completion of improvements and subsequent annexation) and described in CHAPTER VIII. Sewer service will become a City responsibility following annexation and dissolution/merger of BHSMD.

The change in sewer service in Option 3 occurs simultaneous with annexation rather being deferred until completion of the estimated \$12.7 million of BHSMD improvements.

Sewer

Annexation of the BHSMD territory would include the dissolution of BHSMD and merger of its facilities and operations with the City's sewer operations. The City maintains the sewer system within the City boundaries and treats sewage flows, including flows from the area to be annexed, at the City's treatment plant. The City would also become responsible for serving areas currently served by the BHSMD which are outside BHSMD boundaries whether or not these unincorporated areas are annexed.

Following the dissolution and merger of BHSMD, the City could create a separate zone and/or assessment district to encompass the former BHSMD to allocate sewer service and capital costs specific to the area without adverse impacts upon current City residents or subsidy from the City.

The method of billing may transition from a fixed payment on property tax bills to a system of monthly billings based on water consumption as well as charges to fund the estimated \$12.7 million in capital improvements.

Changes in Other Service Providers

As noted above, service provider changes for Option 3 resulting from annexation are the same as those described for Option 2 after annexation, and are described in CHAPTER VIII.

IMPACTS ON OTHER RATES AND CHARGES TO RESIDENTS

Annexation will change various rates and charges to Burlingame Hills residents. The changes will be the same for Option 3 as shown for Option 2 following annexation, described in Chapter VIII and summarized on TABLE VIII-2.

FISCAL IMPACTS ON THE CITY OF BURLINGAME

Upon annexation, the City would become responsible for providing municipal services to the area, replacing the County's responsibility to provide, for example, police and fire protection services, planning and permitting functions, and road maintenance. The County would continue to provide services that it provides Countywide.

The effects on the City's budget are estimated to be similar to those described in CHAPTER VIII and summarized in TABLE VIII-2. Annexation could produce a "break-even" outcome for the City. Over the longer-term, the addition of property value and the ability to spread City costs over a larger base could enhance City revenues. Depending on property tax share negotiations required for annexation, fiscal benefits to the City could be improved, for example, depending on the re-allocation of County Fire Fund property taxes to the City to reflect the provision of fire protection to Burlingame Hills by the City.

Assuming the City creates a sewer zone for Burlingame Hills upon dissolution and merger of BHSMD, residents of the zone would be responsible for ongoing operating and capital costs. Option 3 assumes County participation in funding the estimated \$12.3 million of capital improvements, in addition to Burlingame Hills sewer rate increases. There would be no impact on the City's budget from Burlingame Hills sewer operations or on City residents outside the annexation area.

FISCAL IMPACTS ON THE COUNTY OF SAN MATEO

Annexation will shift services from the County to the City in the same manner described for Option 2 (following annexation) in CHAPTER VIII.

TABLE VIII-4 estimates the shift of property tax revenues (post-ERAF adjustments) from various County funds and entities to the City, if annexation occurs. The estimates are further described in CHAPTER VIII in the section "Property Tax Sharing" and in TABLE VIII-3. The losses are offset by reduced service costs described in CHAPTER VIII. The actual property tax impacts depend on an annexation tax share agreement that would be negotiated between the City and the County, and will depend on the use of property tax re-allocations for capital improvements and continued support of County Fire.

APPENDIX A

COMPARISON OF LAND USE DESIGNATIONS, REQUIREMENTS AND STANDARDS

	San Mateo County				City of Burlingame
Zoning	R-1/S-9	R-1/S-10	R-1/SS-103	Resources Management	R-1 (Potential)
General Plan Land Use	Medium Low Density Residential - Urban	Low Density Residential - Urban	Medium Low Density Residential - Urban	Open Space	
Minimum Lot Size	10,000 sq. ft.	20,000 sq. ft.	14,000 sq. ft.	N/A	5,000-10,000 sq. ft. *
Lot Dimensions	50 ft. width	50 ft. width	N/A	N/A	50 -60 ft. in width
Height Requirements	36 ft., 3 stories	36 ft., 3 stories	35 ft., 2-1/2 stories	36 ft., 3 stories	30 ft., 2-1/2 stories
Lot Coverage	30%	25%	N/A	N/A	40%
Floor Area Ratio (FAR)	N/A	N/A	N/A	N/A	32% plus additional square footage based on if the parcels is a corner or interior lot and has an attached or deached garage (No home shall exceed 8,000 sq. ft.)
Front Yard Setbacks	20 ft.	20 ft.	25 ft.	50 ft.	For First Floor: 15 ft. or the average front setback of properties with front setbacks on the same side of the street of that block, whichever is greater; For Garage: 20-35 ft.; For Second Floor: 20 ft.
Rear Yard Setbacks	20 ft.	20 ft.	25 ft.	20 ft.	For First Floor: 15 ft.; For Second Floor 20 ft.
Side Yard Setbacks	10 ft.	10 ft.	10 ft.	20 ft.	3-7 ft., depending on lot width, corner lots are subject to greater setbacks
Off-Street Parking Requirements	1 covered parking space for houses with one bedroom; 2 covered parking spaces for houses with 2 or more bedrooms	1 covered parking space for houses with one bedroom; 2 covered parking spaces for houses with 2 or more bedrooms	1 covered parking space for houses with one bedroom; 2 covered parking spaces for houses with 2 or more bedrooms	1 covered parking space for houses with one bedroom; 2 covered parking spaces for houses with 2 or more bedrooms	2 parking spaces, 1 of which must be covered by a garage or carport.
Review Process	and building requirments, no planning permit required	and building requirments, no planning permit required	and building requirments, no planning permit required	Resources Management Permit may be required for developmnet	Design Review and Hillside Area Construction Permits may required
Accessory Dwelling Units Permitted	Yes	Yes	Yes	Yes	Yes

* If any unincorporated parcels are to be annexed into the City of Burlingame, the City's Zoning Regulations state that, "no lands annexed to the city of Burlingame after May 31, 1960, which are thereupon classified for residential uses shall be divided into lots having areas of less than ten thousand (10,000) square feet each." (Ord. 1863 § 10, (2011)).

APPENDIX B

SEWER RATE ESTIMATES AND COMPARISONS

Table B-1
Estimated Average Monthly Sewer Rates

Item	BHSMD	City of Burlingame	City of San Mateo	City of Hillsborough	City of Millbrae
Water Usage		8 CCF	8 CCF	8 CCF	8 CCF
Units per month 31 days)		5.98 units (1,000 gal.)	5.98 units (1,000 gal.)	5.98 units (1,000 gal.)	5.98 units (1,000 gal.)
		5,984 gal/month	5,984 gal/month	5,984 gal/month	5,984 gal/month
SEWER					
Sewer Service Charge	\$139.58 \$1,675/yr (FY19)		\$36.59 meter charge (3)	\$257.92 fixed (4)	\$54.90 fixed monthly
Other Charges					
Sewer Variable Charge					
Max HH Units	7.00	5,984 gal.	8 CCF	8 CCF	8 CCF
Charge per Unit	per HCF	\$12.25 per 1,000 gal.	\$7.15 per CCF	per CCF	\$6.23 per CCF
Charge per person					
Total Variable Charge	\$0.00	\$73.31	\$57.20	\$0.00	\$49.84
TOTAL SEWER CHARGES	\$139.58	\$73.31	\$93.79	\$257.92	\$104.74
Annual Sewer Charge	\$1,675.00	\$879.71	\$1,125.48	\$3,095.00	\$1,256.88

Rates as of December 2018.

(1) City of Burlingame, Water Rate Handout, eff. January 1, 2019 (single-family now charged at a tiered rate; all others are \$11.46/1,000 gal).

note: meter charge is higher than shown on FY18-19 Master Fee Schedule (eff. 1/1/18).

(2) City of Burlingame FY18-19 Master Fee Schedule (eff. 1/1/18).

(3) City of San Mateo Website, 6/7/19, <https://www.cityofsanmateo.org/1085/Sewer-Service-Charge>

(4) City of Hillsborough website, eff. July 1, 2018, <https://www.hillsborough.net/188/Water-Service-Rates>

(5) City of Millbrae, eff. 7/1/2018, <https://www.ci.millbrae.ca.us/departments-services/utility-services/water-and-sewer-service>

APPENDIX C

BURLINGAME FISCAL IMPACT ASSUMPTIONS AND METHODOLOGY

Table C-1
City of Burlingame Fiscal Impacts

Budget Item	Area A	Area B	Area C	Total
GENERAL FUND REVENUES				
Property Tax	\$858,758	\$13,847	\$2,846	\$875,452
(less) Fire Fund (negotiated)	(413,727)	(6,671)	(1,371)	(421,770)
(less) BHSMD Prop. Tax to BH Sewer	(78,953)	0	0	(78,953)
Sales Tax	0	0	0	0
Transient Occupancy Tax	0	0	0	0
Other Taxes - Franchise Tax	58,685	1,087	679	60,451
Other Taxes - Business Licenses	0	0	0	0
Other Taxes - State HOPTR	0	0	0	0
Other Taxes - Transfer Tax	38,016	704	440	39,160
Licenses & Permits	2,706	50	31	2,788
Fines, Forfeitures & Penalties	33,291	616	385	34,293
Use of Money & Property	0	0	0	0
Charges for Services				
Storm Drain Fees	131,829	2,441	1,526	135,796
Other Charges for Services	<i>See Table C-2a for Service Charge Offsets (deducted from costs)</i>			
Other Revenue	0	0	0	0
Federal & State Subventions	<u>0</u>	<u>0</u>	<u>0</u>	0
Total Revenues	\$630,606	\$12,075	\$4,537	\$647,217
GENERAL FUND EXPENDITURES (NET OF SERVICE CHARGES)				
General Government	111,482	2,064	1,290	114,837
Public Safety	0	0	0	0
Public Works (inc. storm drainage)	278,376	8,436	8,436	295,247
Community Development	37,075	687	429	38,190
Leisure and Cultural Services	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	426,932	11,187	10,155	448,274
GENERAL FUND NET	203,673	888	-5,618	198,943
ROAD REVENUES & EXPENDITURES				
Revenues	\$72,641	\$1,345	\$841	74,827
Expenditures	<u>184,643</u>	<u>not est.</u>	<u>not est.</u>	<u>184,643</u>
NET	(\$112,002)	\$1,345	\$841	(\$109,816)
TOTAL GF AND ROAD FUND	\$91,671	\$2,233	(\$4,778)	\$89,127
Potential Fire Fund (negotiated)	<u>\$413,727</u>	<u>\$6,671</u>	<u>\$1,371</u>	<u>\$421,770</u>
TOTAL (if 100% of Fire Fund)	\$505,399	\$8,905	(\$3,406)	\$510,897

Table C-2a
City of Burlingame General Fund Revenues (Mid-year Budget)

Item	Adopted Budget FY19-20	Annexation Impacts	Factor
Population Units			
Property Tax	\$23,270,000	Tax Share Agreement	17.0% of a.v. less 15.1% ERAF
(less) Fire Fund (subject to negotiations, shown "below the line")		Tax allocated to Fire Fund	Fire Fund Tax (net of ERAF)
(less) BHSMD Property Tax to BH Sewer		Tax initially allocated to BH Sewer	BHSMD tax (net of ERAF)
Sales Tax	12,760,000	na	na
Transient Occupancy Tax	28,700,000	na	na
Other Taxes - Franchise Tax	1,724,000	per capita	\$56.87 per resident
Other Taxes - Business Licenses	1,020,000	na	na
Other Taxes - State HOPTR	60,000	Included in property tax	na
Other Taxes - Transfer Tax	420,000	5%Turnover*\$3.2mill.*\$0.55/\$1,000	
Licenses & Permits	79,500	per capita	\$2.62 per resident
Fines, Forfeitures & Penalties	978,000	per capita	\$32.26 per resident
Use of Money & Property	2,100,000	na	
Charges for Services		Deducted from related expenses	
Storm Drain Fees (1)	3,328,000	\$305 per lot (average)	10,000 sq.ft. lot (avg), 60.0%
Other Charges for Services	2,162,000		
Other Revenue	30,000	na	
Federal & State Subventions	140,000	na	
Total Revenues	\$76,771,500		
ROAD REVENUES			
Measure A & Gas Tax Fund	\$2,232,000	per capita	\$70.39 per resident

FY20 Final Budget Adopted June 17, 2019, pg. 29-30.

City population of 30,317 from Dept. of Finance, Jan., 2019.

(1) Storm Drain Special Revenue Fund; Other Charges are the remainder.

9/27/19

Table C-2b
City of Burlingame General Fund Revenues

Item	Adopted Budget FY19-20	Annexation Impacts	Factor	Area A
<u>Measure A & Gas Tax Fund</u>				
Measure A	\$860,000	per cap (Note: County estimated \$33,500 per Lococo 9/10/19)	\$28.37 per resident	\$29,274
Interest Income	58,000	na		
Section 2103 -- Excise Tax	258,000	per cap	\$8.51 per resident	\$8,782
Section 2106--New Construction	124,000	per cap	\$4.09 per resident	\$4,221
Section 2107--Maint/Construction	221,000	per cap	\$7.29 per resident	\$7,523
Section 2107.5 - Administration	6,000	na		
Section 2105--Proposition 111 Gas Tax	170,000	per cap	\$5.61 per resident	\$5,787
Road & Maintenance Rehab (RMRA SB1)	501,000	per cap	\$16.53 per resident	\$17,054
Loan Repayment SB1	<u>34,000</u>	na		
Total	\$2,232,000		\$70.39 per resident	\$72,641
				9/27/19

Table C-3
Burlingame General Fund Expenditures

Item	Adopted Budget FY19-20	Charges for Services	Budget Net of Service Chrgs	Annexation Impacts	Factor
<u>General Government</u>					
City Attorney	1,124,164				
City Clerk	420,929				
City Council	433,961				
City Manager	896,772				
Elections	150,000				
Finance	2,585,227				
Human Resources	<u>939,016</u>				
Subtotal	6,550,069		6,550,069	50% per capita	\$108.03
<u>Public Safety</u>					
Central County Fire District	11,782,359		11,782,359	na	
Police (inc. Dispatch, Parking)	<u>17,554,148</u>	<u>112,000</u>	<u>17,442,148</u>	no impact (per City)	
Subtotal	29,336,507	112,000	29,224,507		
<u>Public Works</u>					
Public Works-Engineering	3,689,976			included in City/BHSMD budget	
Public Works-Streets & Storm Drainage	3,542,964			per centerline mi.	42,178
Public Works Allocation to CIP	<u>(880,000)</u>				
Subtotal	6,352,940	570,000	5,782,940		
<u>Community Development</u>					
Community Development-Planning	<u>2,019,157</u>	<u>930,000</u>	1,089,157	100% per capita	\$35.93
Subtotal	2,019,157	930,000	1,089,157		
<u>Leisure and Cultural Services</u>					
Library	5,740,951	758,000	4,982,951		
Parks	5,243,082	120,000	5,123,082		
Recreation	4,705,230	3,000,000	1,705,230		
Recreation-Aquatics Center	<u>309,000</u>	<u>0</u>	<u>309,000</u>		
Subtotal	15,998,263	3,878,000	12,120,263	no impact...BH pay same rates/no increase in use	
TOTAL, General Fund	60,256,936	5,490,000	54,766,936		

FY19-20 Adopted Budget, pg. 44.

(1) Approximately equal to 0.25 FTE.

10/25/19

APPENDIX D

CAPITAL IMPROVEMENT PROJECTS AND FUNDING

BHSMD GOVERNANCE OPTIONS BUDGET FORECAST

Table D-1

Summary of Options Study Budget Forecast - Ten-Year CIP Project Buildout

Capital Improvement Projects and Funding - BHSMD Governance Options Budget Forecast

Capital Item	TOTAL	FY20-21	FY21-22	FY22-23	FY23-24	FY24-25	FY25-26	FY26-27	FY27-28	FY28-29	FY29-30
Improvement (1)											
Hillside/Adeline Area (~6,800 feet)	\$1,300,000	1,300,000									
Upper Canyon Area (~6,400 feet)	2,500,000		2,500,000								
Fey Area (~6,100 feet)	2,600,000				2,600,000						
Tiara Area (~4,600 feet)	2,000,000						2,000,000				
Alturas/La Mesa Area (~3,700 feet)	1,700,000								1,700,000		
Lower Canyon Area (~3,200 feet)	<u>1,600,000</u>										1,600,000
Total	\$11,700,000	1,300,000	2,500,000	0	2,600,000	0	2,000,000	0	1,700,000	0	1,600,000
Cumulative		1,300,000	3,800,000	3,800,000	6,400,000	6,400,000	8,400,000	8,400,000	10,100,000	10,100,000	11,700,000
(less) Reserve Funds Applied	(\$1,300,000)	(1,300,000)									
New Debt Issued	\$10,400,000	0	2,500,000	0	2,600,000	0	2,000,000	0	1,700,000	0	1,600,000
Issuance Costs	\$1,040,000	0	250,000	0	260,000	0	200,000	0	170,000	0	160,000
Total Issuance	\$11,440,000	0	2,750,000	0	2,860,000	0	2,200,000	0	1,870,000	0	1,760,000
Cumulative Issued		0	2,750,000	2,750,000	5,610,000	5,610,000	7,810,000	7,810,000	9,680,000	9,680,000	11,440,000
Debt Service		0	114,508	114,508	233,596	233,596	325,202	325,202	403,067	403,067	476,352

Source: Costs from Presentation at Property Owners Meeting – Sewer Service Rates BHSMD, County of San Mateo DPW, May 14, 2018, Priority of Remaining Capital Improvements, pg. 18.; \$1 million budgeted to Hillside/Adeline Area in FY19 and balance of cost in FY20. Note: costs are estimated and may change depending on future conditions.

(1) Note: Hillside/Adeline Area Project is partially completed in FY19-20 budgeted at \$1 million.

9/26/19

APPENDIX E

PARCELS REQUIRING REVISIONS TO PROPERTY TAX ALLOCATIONS

During the course of preparing the Study, the author identified a number of parcel property tax discrepancies; these parcels are under review by the County and adjustments are being made to reconcile and correct for required changes. The discrepancies were an outcome of past parcel annexations to the City.

The text and table on the following pages list parcels under review based on information available at the time of preparation of this report. The historical context and the estimates of property tax implications were prepared by the County of San Mateo Controller's Office.

The current report has been revised to exclude those parcels erroneously identified in public records as being within the Burlingame Hills Sewer Maintenance District (BHSMD). Initial maps prepared for the Study included an "Area D" with parcels identified as being in BHSMD and in the City boundaries; these parcels are actually not in BHSMD. In addition, there are other parcels in the City with incorrect tax allocations, although these parcels were not shown as Area D on the original Study maps. It is expected that these errors will be corrected prior to formal actions, if any, are taken related to the service and governance options described in this study.

Source: This page was prepared by the County of San Mateo Controller's Office; San Mateo LAFCO provided Table E-1.

Burlingame Hills Sewer Maintenance District (BHSMD)

Annexations to City of Burlingame

Tax Rate Areas (TRAs): 004-005, 004-008, 004-009, 004-012, & 004-015

During the review of the BHSMD, there were a few anomalies discovered in relation to the assignment of TRAs. The Controller's Office will undertake action to resolve these inconsistencies including taking an appropriate resolution(s) before the Board of Supervisors.

A. TRAs 004-005 and 004-008: Lands of Sisters of Mercy

In 1979 TRA 004-005 and 004-008 were annexed to the City of Burlingame.

- At the time of annexation, all properties in both TRAs were tax exempt.
- Neither the City nor the County, approved a Property Tax Exchange Agreement, perhaps because of the properties' tax exempt status.
- Subsequent to the annexation, some of the properties owned by Sisters of Mercy (which were previously tax exempt) were sold and became taxable.
- County Fire, Free Library, and BHSMD receive property taxes from the TRAs 004-005 and 004-008 (approximately \$17,400 for FY 2019-20).

B. TRAs 004-009, 004-012, and 004-015: Lands of Heerman & Spanier, Lands of O'Connor, and Lands of Sommer, respectively

In 1980, 1981, and 1990 TRAs 004-009, 004-012, and 004-015 were annexed from the County to the City of Burlingame.

- Property Tax Exchange Agreements were approved by both the County and City.
- A tax exchange amount was negotiated and agreed to. However, the tax exchange agreements only included amounts to transfer from County Fire, Free Library, and County General to the City of Burlingame.
- The tax exchange agreements did not state that property taxes from the BHSMD should be transferred to the City of Burlingame; although it is unclear whether this was intended or whether additional tax amounts were simply taken from County General.
- In any event, BHSMD still receives property taxes from these TRAs (approximately \$2,900 for FY 2019-20).

Table E-1 – Parcels Requiring Review of Property Tax and Sewer Billing Status*

TRA	APN	Address	TRA includes BHSMD	Improved Parcel	City	County	In BHSMD	BHSMD FY 2019-20 SSC	City Billing for Sewer Service
004-005	027-370-020	2750 ADELINE	Yes	Yes	Yes	No	No	No	?
	027-370-010	2300 ADELINE	Yes	Yes	Yes	No	No	No	?
004-008	027-093-320	12 Vista Lane	Yes	No	Yes	No	No	No	?
	027-093-330	8 Vista Lane	Yes	Yes	Yes	No	No	No	No
	027-093-310	2843 Adeline Drive	Yes	Yes	Yes	No	No	No	No
	027-091-080	2838 Adeline Drive	Yes	Yes	Yes	No	No	No	No
004-009	027-104-310	2840 Canyon Road	Yes	Yes	Yes	No	No	No	Yes
	027-104-300	2844 Canyon Road	Yes	Yes	Yes	No	No	No	No
004-012	027-103-060	1445 Alvarado Ave	Yes	Yes	Yes	No	No	No	Yes
	027-103-070	1441 Alvarado Avenue	Yes	Yes	Yes	No	No	No	Yes
004-015	027-104-400	2811 Hillside Drive	Yes	Yes	Yes	No	No	No	Yes
	027-104-390	2108 Summit Drive	Yes	Yes	Yes	No	No	No	Yes

** City sewer billing status is under review. Table data is subject to change and shown for informational purposes only.*