AGENDA

SAN BRUNO CITY COUNCIL

SPECIAL MEETING

October 8, 2019

6:30 p.m.

Meeting Location: San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno, CA

City Council meetings are conducted in accordance with Roberts Rules of Order Newly Revised and City Council Rules of Procedure. All regular Council meetings are recorded and televised on CATV Channel 1 and replayed the following Thursday, at 2:00 pm. In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk’s Office 650-616-7061, or email your request to Melissa Thurman, City Clerk at mthurman@sanbruno.ca.gov.

1. CALL TO ORDER

2. ROLL CALL

3. PUBLIC COMMENT ON ITEMS NOT ON AGENDA
   Individuals allowed three minutes, groups in attendance, five minutes. It is the Council’s policy to refer matters raised in this forum to staff for investigation and/or action where appropriate. The Brown Act prohibits the Council from discussing or acting upon any matter not agendized pursuant to State Law.

4. CLOSED SESSION:
   a. Conference with Labor Negotiators Pursuant to Gov't Code Section 54957.6
      Agency Designated Representatives: City Manager and Assistant City Manager Employee Organizations: San Bruno Management Employee Association, Mid Management Unit, Public Safety Mid Management Unit and Miscellaneous Unit.

5. ADJOURNMENT

The next Regular City Council Meeting will be held on October 8, 2019 at 7:00 p.m. at the Senior Center, 1555 Crystal Springs Road, San Bruno.

Posted Pursuant to Law 10/03/19
AGENDA
SAN BRUNO CITY COUNCIL
October 8, 2019
7:00 p.m.

Meeting Location: San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno, CA

City Council meetings are conducted in accordance with Roberts Rules of Order Newly Revised and City Council Rules of Procedure. All regular Council meetings are recorded and televised on CATV Channel 1 and replayed the following Thursday, at 2:00 pm. In compliance with the Americans with Disabilities Act, individuals requiring reasonable accommodations or appropriate alternative formats for notices, agendas and records for this meeting should notify us 48 hours prior to meeting. Please call the City Clerk’s Office (650) 616-7061, or email your request to Melissa Thurman, City Clerk at mthurman@sanbruno.ca.gov.

Thanks to the San Bruno Garden Club for providing the floral arrangement.

1. CALL TO ORDER

2. ROLL CALL/PLEDGE OF ALLEGIANCE

3. PUBLIC COMMENT ON ITEMS NOT ON AGENDA:
   Individuals allowed three minutes, groups in attendance, five minutes. It is the Council's policy to refer matters raised in this forum to staff for investigation and/or action where appropriate. The Brown Act prohibits the Council from discussing or acting upon any matter not agendized pursuant to State Law.

4. ANNOUNCEMENTS/PRESENTATIONS:
   a. Vote by Mail ballots were mailed to all registered voters in San Mateo County on October 7. Replacement ballots will be mailed through Tuesday, October 29. To receive a replacement ballot, please contact City Clerk Melissa Thurman.
   b. The San Bruno Fire Department will be hosting an Open House on Saturday, October 12 from 11:00 a.m. – 2:00 p.m. at Fire Station 51, 555 El Camino Real. Please come meet your local Firefighters and learn about the various services they provide. The event will include fire safety and emergency preparedness information.
   c. The Library and Fire Department are teaming up to present a special Great California Shakeout story time. This story time take place on Thursday, October 17 at 11:15am in the children’s room of the Library. It will include information on earthquake preparedness for families with young children. Snacks and fire truck viewing will follow.
   d. Please join us at the Library for a family Dia de los Muertos celebration Monday, October 21 at 6:30pm. The event will include a bilingual story time followed by sugar skull decorating with icing.
   e. Trick-or-Treat early on October 24 at the annual Goblin Grotto Halloween event. Goblin Grotto offers Trick-or-Treating, carnival games, and more to children 10 years and younger in the Recreation Center Gym! Tickets are available for 5:30pm and 7:15pm start times and can be purchased at the Recreation Center. The cost is $10 for residents and $13 for non-residents.
   f. The Shops at Tanforan and the City of San Bruno Project Pride invites the community to bring out their goblins, ghouls and witches for the free Halloween Happening event on October 31st beginning at 3:00pm. Attendees will enjoy trick-or-treating, entertainment, raffle prizes, and goody bags. Children ages 10 and under are eligible for the Halloween goody bags and participation in raffle prize drawings.
5. **CONSENT CALENDAR:**
   All items are considered routine or implement an earlier Council action and may be enacted by one motion; there will be no separate discussion, unless requested.
   
   a. **Accept** Accounts Payable of September 23 and September 30, 2019.
   
   b. **Accept** Payroll of September 20, 2019.
   
   c. **Approve** Draft Meeting Minutes for the Special and Regular Meetings of September 24, 2019.
   
   d. **Approve** City of San Bruno Response Letter to the San Mateo County Civil Grand Jury Report titled “Fire Safety Inspection Program on the Road to Recovery” and **Adopt** a Resolution Defining the Fire Departments Annual Report for Compliance with Section 13146.4 of the California Health & Safety Code.
   
   
   f. **Adopt** Resolution Authorizing the City Manager to Execute an Agreement with Shah Kawasaki Architects for the Fire Station 52 Renovation Project in an Amount Not to Exceed $136,790 and Approving a Total Design Budget of $161,790.
   
   g. **Adopt** a Resolution Authorizing the City Manager to Execute and Accept a Public Access Easement in Connection with the Aperture Mixed Use Development at 406-418 San Mateo Avenue.
   
   h. **Adopt** a Resolution Authorizing the Application for, and Receipt of, State of California SB 2 Planning Grants Program Funds in the amount of $160,000.
   
   i. **Adopt** a Resolution Amending the City Classification Plan by Adopting Position Description and Salary Range for Deputy City Clerk.
   
6. **CONDUCT OF BUSINESS:**
   
   a. **Adopt** a Resolution Authorizing the City Manager to Enter into an Exclusive Negotiating Rights Agreement with the Selected Developer.
   
7. **COMMENTS FROM COUNCIL MEMBERS:**

8. **ADJOURNMENT:**
   The next Regular City Council Meeting will be held on October 22, 2019 at 7:00 p.m. at the Senior Center, 1555 Crystal Springs Road, San Bruno.
DATE: September 23, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Keith DeMartini, Finance Director
Kathleen O’Malley, Accounting & Customer Service Representative

SUBJECT: Accounts Payable Warrant Register

This is to certify that the claims listed on pages 1 to 3 inclusive, and/or claims numbered from 183554 through 183677 inclusive, totaling $463,707.34 have been checked in detail and approved by the proper officials, and in my opinion, represent fair and just charges against the City in accordance with their respective amounts. The table below summarizes the total paid by Fund.

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TOTAL FOR APPROVAL $463,707.34

Respectfully submitted,

Finance Director

Date 9/23/19

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Grand Total: 463,707.34
Total count: 124
DATE: September 30, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Keith DeMartini, Finance Director
Kathleen O’Malley, Accounting & Customer Service Representative

SUBJECT: Accounts Payable Warrant Register

This is to certify that the claims listed on pages 1 to 4 inclusive, and/or claims numbered from 183678 through 183851 inclusive, totaling $1,073,357.31 have been checked in detail and approved by the proper officials, and in my opinion, represent fair and just charges against the City in accordance with their respective amounts. The table below summarizes the total paid by Fund.

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Respectfully submitted,

Finance Director

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**Grand Total:** 1,073,357.31

**Total count:** 174
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Benjie Lin, Payroll Specialist

SUBJECT: Payroll Acceptance

City Council acceptance of the City payroll distributed September 20, 2019 is recommended. The Labor Summary report reflecting the total payroll amount of $1,607,749.21 for bi-weekly pay period ending September 15, 2019 by fund is shown below:

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Total: $1,607,749.21

Respectfully Submitted,

Keith DeMartini, Finance Director  
Date 10/2/19

ITEM 5.b.
The City Council held a Closed Session meeting on September 24, 2019 at 5:00 p.m. regarding a Conference with Labor Negotiators and a Conference with Legal Counsel in relation to Anticipated Litigation. The meeting adjourned at 6:50 p.m.

MINUTES
SAN BRUNO CITY COUNCIL
September 24, 2019
7:00 p.m.

Meeting Location: San Bruno Senior Center, 1555 Crystal Springs Road, San Bruno, CA

1. CALL TO ORDER

2. ROLL CALL/PLEDGE OF ALLEGIANCE – All Council Members were present.

3. PUBLIC COMMENT ON ITEMS NOT ON AGENDA:
The following members of the public spoke during Public Comment:

- Dr. Sharon Kamberg – Introduced herself as the new San Bruno Parks District Interim Superintendent.
- Stephan Seymour – Spoke regarding fair labor.
- Priscilla Paras – Huerta - Spoke regarding fair labor.
- Ramend - Spoke regarding fair labor.
- Satya - Spoke regarding fair labor.
- Mark Wise - Spoke regarding fair labor.
- Julio Cuevas - Spoke regarding fair labor.
- Jose Guzman - Spoke regarding fair labor.
- Secuntino Ramos - Spoke regarding fair labor.
- Emily Wendler - Spoke regarding fair labor.

4. ANNOUNCEMENTS/PRESENTATIONS:

a. The Community Services Department has several upcoming special events. The last Concert at the Rotary Pavilion in San Bruno City Park will be on Friday, September 27, 2019 at 6:00 p.m. The concert will be followed by the Family Overnight in the Park showing the free Movie in the Park, *Ralph Breaks the Internet*. For more information about these events please visit the City of San Bruno calendar, [www.sanbruno.ca.gov/Calendar](http://www.sanbruno.ca.gov/Calendar).

b. The Friends of the San Bruno Library will hold their semi-annual book sale on Saturday, October 5, 2019 at 10:00 a.m.-3:00 p.m. in the Library’s downstairs community room. Thousands of books will be available for sale. Bring your own bag and fill it with books for just $7. All proceeds benefit the Library.

c. The League of Women Voters will host a Candidate Forum at the San Bruno Senior Center on Tuesday October 1, 2019, from 7:00-9:00 p.m.

ITEM 5.c.
**Rico Medina, Mayor,** presented the proclamation to **Dave Cresta, Fire Chief.**

e. Receive Annual Presentation from the Senior Citizens Advisory Board.  
**Dorothy Carmichael, Board Chair,** presented the report.


5. **CONSENT CALENDAR:**  
M/S Salazar/O’Connell to approve the Consent Calendar. **Motion carried unanimously by voice vote.**

a. **Accept** Accounts Payable of September 3 and September 9, 2019.  
b. **Accept** Payroll of September 1, 2019.  
c. **Accept** Reconciliation of General Ledger to Bank Reports and Investment Reports Dated July 31, 2019  
d. **Approve** Draft Meeting Minutes for the Special and Regular Meetings of September 10, 2019.  
e. **Adopt** a Resolution Authorizing the Receipt and Expenditure of $81,000 from the California Office of Traffic Safety Pursuant to the Federal Fiscal Year 2019-20 Selective Traffic Enforcement Program (STEP) Grant and Appropriating $4,500 of Grant Revenue and Expenditure into the Federal/State Grants Fund.  
f. **Adopt** Resolution to Authorize Replacing the Fire Department Secretary Position with an Executive Assistant in the Fiscal Year 2019-20 Budget.  
g. **Adopt** Resolution Denying and Revoking Cardroom Work Permit

6. **PUBLIC HEARING:**  
a. **Hold** Public Hearing, **Adopt a Resolution Adjusting the Affordable Housing Impact Fees for Residential and Nonresidential Development Projects.**  
**Keith DeMartini, Finance Director,** presented the report.  

The following member of the public spoke regarding this item:  
- Alexander Melendrez – Spoke in favor of the item.

M/S Salazar/O’Connell to close the public hearing. **Motion carried unanimously by voice vote.**  
M/S Davis/Salazar to adopt a resolution adjusting the affordable housing impact fees for residential and nonresidential development projects. **Motion carried unanimously by roll call vote.**

7. **CONDUCT OF BUSINESS:**  
a. **Authorize** Modifications to the Florida Avenue Park Master Plan.  
**Joanne Magrini, Community Services Director,** presented the report.  

The following member of the public spoke regarding this item:  
- Alexander Melendrez – Spoke in favor of the item.
M/S Davis/O’Connell to authorize modifications to the Florida Avenue Park Master Plan. **Motion carried unanimously by roll call vote.**

8. **STUDY SESSION:**

   Irene O’Connell, Vice Mayor, and Marty Medina, Council Member, recused themselves from hearing the item due to a potential conflict of interest.

   Darcy Smith, Community Development Director, presented the report.

   The Council provided the following direction to city staff:
   - Upgrade Posy Park sign
   - Improve parking downtown
   - Improve garbage receptacles
   - Provide durable lighting
   - Upgrade Centennial Park
   - Research possible disability drop-off zone at Centennial Park

9. **COMMENTS FROM COUNCIL MEMBERS:**
   - Irene O’Connell, Vice Mayor thanked the Coastal Cleanup volunteers.
   - Rico Medina, Mayor announced the ribbon cutting event at Skyline College and the approval of Measure K funds by the Board of Supervisors to Tom Lara field in City Park.

10. **ADJOURNMENT** – The meeting adjourned at 9:55 p.m.
    The next Regular City Council Meeting will be held on October 8, 2019 at 7:00 p.m. at the Senior Center, 1555 Crystal Springs Road, San Bruno.

    Minutes were prepared by Melissa Thurman, City Clerk and will be presented to the City Council for approval at the meeting of October 8, 2019.

    ____________________________
    Melissa Thurman, CMC
    City Clerk

    ____________________________
    Rico E. Medina
    Mayor
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Dave Cresta, Fire Chief

SUBJECT: Approve City of San Bruno Response Letter to the San Mateo County Civil Grand Jury Report Titled “Fire Safety Inspection Program on the Road to Recovery” and Adopt a Resolution Defining the Fire Departments Annual Report for Compliance with Section 13146.4 of the California Health & Safety Code

BACKGROUND:
On July 26, 2018, the San Mateo County Civil Grand Jury released a report entitled “Fire Safety Inspection Program on the Road to Recovery”. The stated purpose of the report is to determine whether the ten fire departments and districts within San Mateo County conducted annual safety inspections on all, schools, hotels, apartments and condominiums within their jurisdictions and are they ready to report to the administrative authorities as required by SB 1205 (2018).

The Grand Jury developed eighteen findings and a total of four recommendations. The City of San Bruno is required to respond to each finding and recommendations, no later than ninety days following the issuance of the report.

DISCUSSION:
The Grand Jury report was prompted by the June 2018, Bay Area News Group investigation of the fire safety inspection programs of major fire departments across the Bay Area, including the Redwood City Fire Department in San Mateo County. The Bay Area News Group found that fire departments, including the Redwood City Fire Department, were routinely failing to conduct mandated annual fire safety inspections. A state law (SB 1205) which became effective in January 2019, now requires all fire departments to submit annual reports to their governing bodies or administering authorities (e.g., city council, fire district board, board of supervisors) regarding their compliance with the State's mandate for annual fire safety inspections. Mandated inspections include all public and private schools, hotels, motels, lodging houses, and apartments.
The Grand Jury report lists five elements for carrying out the required annual inspections. Those elements include the following: written policies and procedures, lists of buildings required to be inspected, inspection process, record keeping and data retrieval, and staffing.

Specific to San Bruno, the Grand Jury report stated that:

1. San Bruno Fire Department did not have written policies and procedures regarding its inspection program.
2. San Bruno Fire Department uses a paper-based record keeping system for fire prevention inspections, which were not centrally located. Below is an excerpt from the Grand Jury report on this item.

"San Bruno Fire Department (SBFD) reported that records had not been kept in a single central location but had been scattered across various locations, including fire officers’ personal files. It was only after receiving a document request from the Grand Jury that SBFD’s inspection reports were collected, reviewed, and stored centrally. Since it is likely that files had been misplaced or purged, SBFD does not have an accurate record of the number of inspections that were completed (2015-2018). SBFD has addressed these issues and is now confident that it is accounting for all completed inspections on spreadsheets that list the date each building was inspected and by whom. In 2019, the San Bruno City Council approved funds for a Records Management System which is being implemented. Once implemented, staff will use electronic tablets to document inspections which will improve tracking and accounting of inspections."

3. Only three of the ten fire agencies in the County reported the need for additional fire prevention staff and San Bruno was one of them.
4. San Bruno Fire Department was one of seven fire agencies in the County that did not conduct 90 percent of the annual mandated inspections as required in all or some of the years from 2015 through 2018. A lack of oversight was reported in the Grand Jury’s interviews as one possible reason for the lapse in inspections.

After meeting with the Grand Jury to provide information for the report, the San Bruno Fire Department took immediate action to improve the inspection program. The following steps were taken to address the specific elements:

1. **Written policies and procedures**: The San Bruno Fire Department has developed a Draft Inspection Program Policy that includes a comprehensive list of all buildings within San Bruno that require an annual inspection required under

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40 Grand Jury interviews.
41 Grand Jury interviews.
42 Written correspondence.
Sections 13146.2 and 13146.3 of the California Health & Safety Code. Additionally, the policy addresses how those inspections will be performed, documented and reported.

2. Lists of buildings required to be inspected: The San Bruno Fire Department worked with the Finance Department and Community Development Department to verify the list of buildings to be inspected was accurate and up to date.

3. Inspection Process: Due to the high number of mandated inspections, the Fire Marshal relies on the Fire Captains to conduct the initial and if necessary, a follow up inspection. While the Fire Department has done a good job assigning the mandated inspections to the nine Fire Captains, the Department identified the need to improve the process to verify that those inspections were completed. The Fire Marshal is now maintaining a database that documents the dates of each inspection along with the personnel that conducted the inspection. Additionally, the operational Battalion Chiefs monitor the inspections and are responsible for reassigning inspections if an assigned Captain is off work for an extended period. This level of oversite has led to the completion of 100% on the mandated inspections in 2018.

4. Record Keeping and Data Retrieval: Currently the San Bruno Fire Department relies on hand written inspection forms. The forms are completed by the personnel conducting the inspection. The company officer maintains the record until the inspection is complete or needs to be forwarded to the Fire Prevention Division for additional follow up. Collecting and storing these records have proven to be a challenge over the years. The Department identified the need for a digital system to conduct inspections and better document violations and completions. On January 22, 2019 the San Bruno City Council approved a new Records Management System that will include digital inspections. The Fire Department is on pace to implement the system by the end of the year.

5. Staffing: Fire Prevention staffing was another key issue identified in the Grand Jury report as well as the Bay Area News Group investigation. As part of the City of San Bruno 2018-19 Fiscal Year Operating Budget, the Fire Department added a full-time prevention position. This position has improved the efficiency of the mandated inspection program.

The Grand Jury report found that SB 1205 does not require that information contained in a Fire Department’s annual inspection reports need to be submitted to their governing bodies or administering authorities. In its recommendations, the Grand Jury concluded that administrative authorities should provide written instructions regarding the required content and due date for submission of annual reports in order to provide meaningful oversight of fire departments’ compliance with annual inspection laws. The Grand Jury also recommends that all fire departments establish written policies specifying processes and procedures for conducting inspection programs that comply with state law and for regularly monitoring their performance.

To comply with the Grand Jury report recommendations and Section 13146.4 of the California Health & Safety Code (former SB 1205), the Fire Department plans submit an annual report to the City Council as a part of the Fire Department’s Performance and
Workload Measures in the City's annual budget. At a minimum the report will include the following:

- The total number of buildings within the Fire Department's jurisdiction in each category of building (referred to as an "occupancy type") subject to mandated annual inspections that year.
- The number of each occupancy type inspected during the year.
- The number of each occupancy type, if any, not inspected that year and the reason such inspection did not take place.
- The number of each occupancy type, if any, not inspected for two or more consecutive years.

Additionally, the Department will make the report available on the City's website in within section that is dedicated on the San Bruno Fire Department.

The Fire Department is confident that with the measures taken to this point along with the implementation of the records management system, the Department will be compliant with Section 13146.4 of the California Health & Safety Code going forward.

FISCAL IMPACT:

There is no fiscal impact associated with this action.

ALTERNATIVES:

The City of San Bruno is required to respond to the Grand Jury Report.

RECOMMENDATION:

Approve City of San Bruno Response Letter to the San Mateo County Civil Grand Jury Report titled “Fire Safety Inspection Program on the Road to Recovery” and Adopt a Resolution Defining the Fire Departments Annual Report for Compliance with Section 13146.4 of the California Health & Safety Code.

ATTACHMENTS:

2. San Mateo County Civil Grand Jury Report
3. Resolution

DATE PREPARED:

October 1, 2019
October 8, 2019

Honorable Donald J. Ayoob
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655

Re: Response of the City of San Bruno to the Grand Jury Report “Fire Safety Inspection Program on the Road to Recovery.”

Dear Judge Ayoob:

Thank you for the opportunity to respond to the Grand Jury report titled “Fire Safety Inspection Program on the Road to Recovery.”

The City of San Bruno’s (“City”) response to the eighteen listed findings and the four recommendations applicable to the City are listed below. The City Council approved this response at its regular meeting on October 8, 2019.

FINDINGS

F1: California Health & Safety Code Sections 13146.2, 131463 and 17921(b) and regulations require fire departments to conduct annual inspections of all public and private schools, hotels, motels, lodging houses, and apartments in their jurisdictions (mandated annual inspections).

The City agrees with this finding.

F2: From 2015 through 2018, the following three fire departments conducted inspections of over 90 percent of the mandated buildings in their jurisdictions, as shown in Table 1:

- Menlo Park Fire Protection District
- North County Fire Authority
- Woodside Fire Protection District

The City has no information to agree or disagree with this finding as it does not relate to San Bruno.

F3: The disorganization and incompleteness of the data submitted by the San Mateo Consolidated Fire Department for 2015 through 2017 (which it inherited from its predecessor fire departments) was such that it could not be analyzed by the Grand Jury. However, data submitted by SMCFD for 2018 was well organized and showed 100 percent of schools and 82 percent of the apartments, condominiums, hotels and motels within its jurisdiction were inspected that year.
The City has no information to agree or disagree with this finding as it does not relate to San Bruno.

F4: Each of the fire departments is developing more robust inspection programs by, for example:
   • implementing database management systems.
   • adding prevention staff.
   • using iPads or tablets to document inspections.

The City agrees with the finding as it relates to San Bruno implementing a database management system, increased prevention staffing and the use of tablets to document inspections.

F5: SB 1205 does not specify what the content of Annual Reports to fire departments’ administrative authorities should be regarding mandated annual inspections.

The City agrees with this finding.

F6: In 2015, 2016, and 2018 Central County Fire Department failed to perform annual inspections of at least 90 percent of the schools within its jurisdiction although it completed 96 percent of school inspections in 2017 as shown on Table 1.

The City has no information to agree or disagree with this finding as it does not relate to San Bruno.

F7: From 2015 through 2017 the following four fire departments failed to perform annual inspections of at least 90 percent of the schools within their jurisdiction, though all showed substantial improvement in 2018 as shown on Table I:
   • Coastside Fire District increased inspections from 36 percent in 2017 to 91 percent in 2018.
   • Redwood City Fire Department increased from 15 percent in 2017 to 85 percent in 2018.
   • San Bruno Fire Department increased inspections from 86 percent in 2017 to 100 percent in 2018.
   • South San Francisco increased inspections from 50 percent in 2016 and 2017 to 100 in 2018.

The City agrees with the finding as it relates to inspections performed in San Bruno.

F8: From 2015 through 2018 Colma Fire District completed 100 percent of school inspections.

The City has no information to agree or disagree with this finding as it does not relate to San Bruno.

F9: From 2015 through 2018, the following four fire departments failed to perform annual inspections of at least 90 percent of the apartments, condominiums, hotels and motels within their jurisdiction. as shown on Table I:
   • Coastside Fire Protection District;
   • Colma Fire District;
   • San Bruno Fire Department; and
   • South San Francisco Fire Department.

The City agrees with the finding as it relates to inspections performed in San Bruno.
F10: From 2015 through 2017 Redwood City Fire Department failed to perform annual inspections of at least 90 percent of the apartments, hotels, and motels within its jurisdiction, though the department showed substantial improvement in 2018 as shown on Table 1:

- Redwood City Fire Department improved from a low of 48 percent in 2016 to 77 percent in 2018 and is on track to complete all inspections by the end of its fiscal

The City has no information to agree or disagree with this finding as it does not relate to San Bruno.

F11: In 2016 Central County Fire Department failed to perform annual inspections of at least 90 percent of the apartments, condominiums, hotels and motels within its jurisdiction. The department inspected over 90 percent of these structures in 2017 and 2018. The Department could not provide data for 2015.

The City has no information to agree or disagree with the finding as it does not relate to San Bruno.

F12: The following five fire departments currently have data management systems that allow them to readily track and report on the completion of their mandated annual inspections:

- Central County Fire Department,
- Menlo Park Fire Protection District,
- North County Fire Authority,
- San Mateo Consolidated Fire Department,
- Woodside Fire Protection District.

The City does not have any information to agree or disagree with the finding as it does not relate to San Bruno.

F13: The following two departments plan to implement data base systems that will allow them to readily track and report on the completion of their mandated annual inspections:

- San Bruno Fire Department and
- Redwood City Fire Department.

The City agrees with this finding as it relates to San Bruno. The Department is in the process of implementing a new Records Management System that was approved by the San Bruno City Council on January 22, 2019.

F14: The following three fire departments need to assess their data management systems to allow them to readily track and report on the completion of their mandated annual inspections:

- Coastside Fire Protection District,
- Colma Fire District, and
- South San Francisco Fire Department.

The City does not have any information to agree or disagree with the finding as it does not relate to San Bruno.

F15: The following three fire departments reported the need for additional prevention staff to complete all of their mandated annual inspections:

- Redwood City Fire Department,
- San Bruno Fire Department, and
- San Mateo Consolidated Fire Departments.
The City agrees with this finding as it relates to San Bruno. The Department added a full-time employee to the Prevention Bureau in the 2018/19 Budget.

F16. Coastside Fire Protection District and South San Francisco Fire Department reported they need to assess the sufficiency of their prevention staffing.

The City does not have any information to agree or disagree with the finding as it does not relate to San Bruno.

F17. The following four fire departments reported they do not have written policies and procedures in place governing their mandated annual inspection programs:

- Coastside Fire Protection District,
- Colma Fire District,
- San Bruno Fire Department, and
- San Mateo Consolidated Fire Department.

The City agrees with this finding as it relates to San Bruno.

F18. None of the ten departments' policies and procedures specified how they will report to their administering authorities under SB 1205 (2018).

The City agrees with this finding as it relates to San Bruno.

RECOMMENDATIONS

R1: By no later than January 31, 2020, each fire department within the county should put in place a written policy that sets forth the process for (1) maintaining a comprehensive list of all buildings within its jurisdiction for which annual inspections required under Sections 13146.2 and 13146.3 of the California Health & Safety Code are to be performed, (2) keeping such a list updated on an annual basis, and (3) completing and reporting on all mandated annual inspections.

The City will comply with this recommendation. The Department has prepared a draft policy that is going through the approval process which will be completed prior to January 31, 2020.

R2. By no later than November 30, 2019, each fire department should submit a proposal to its administering authority setting forth the content of the annual report as required under Section 13146.4 of the California Health & Safety Code (former SB 1205) (the "Annual Report"), which at a minimum should propose the inclusion of the following information in the Annual Report:

- The total number of buildings within the fire department's jurisdiction in each category of building (referred to as a "occupancy type") subject to mandated annual inspections that year.
- The number of each occupancy type inspected during the year;
- The number of each occupancy type, if any, not inspected that year and the reason such inspection did not take place, and
- The number of each occupancy type, if any, not inspected for two or more consecutive years.

The City will comply with this recommendation.
R3. By no later than January 31, 2020, the administering authority for each fire department should review the proposal for the content of the Annual Report submitted by its fire chief and provide written instructions regarding the required content and due date for submission of the Annual Report.

The City will comply with this recommendation.

R4. By no later than February 28, 2020 (and annually thereafter), the administering authority for each fire department should instruct the fire chief to publish the fire department's Annual Report on the fire department's public website.

The City will comply with this recommendation.

Sincerely,

Rico E. Medina
Mayor
July 22, 2019

City Council
City of San Bruno
567 El Camino Real
San Bruno, CA 94066

Re: Grand Jury Report: “Fire Safety Inspection Programs on the Road to Recovery”

Dear Council Members:

The 2018-2019 Grand Jury filed a report on July 22, 2019 which contains findings and recommendations pertaining to your agency. Your agency must submit comments, within 90 days, to the Hon. Donald J. Ayoob. Your agency’s response is due no later than October 21, 2019. Please note that the response should indicate that it was approved by your governing body at a public meeting.

For all findings, your responding agency shall indicate one of the following:

1. The respondent agrees with the finding.

2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

Additionally, as to each Grand Jury recommendation, your responding agency shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.

2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefore.
Please submit your responses in all of the following ways:

1. Responses to be placed on file with the Clerk of the Court by the Court Executive Office.
   
   • Prepare original on your agency’s letterhead, indicate the date of the public meeting that your governing body approved the response address and mail to Judge Ayoob.
   
   Hon. Donald J. Ayoob  
   Judge of the Superior Court  
   c/o Charlene Kresevich  
   Hall of Justice  
   400 County Center; 2nd Floor  
   Redwood City, CA 94063-1655.

2. Responses to be placed at the Grand Jury website.
   
   • Copy response and send by e-mail to: grandjury@sanmateocourt.org. (Insert agency name if it is not indicated at the top of your response.)

3. Responses to be placed with the clerk of your agency.
   
   • File a copy of the response directly with the clerk of your agency. Do not send this copy to the Court.

For up to 45 days after the end of the term, the foreperson and the foreperson’s designees are available to clarify the recommendations of the report. To reach the foreperson, please call the Grand Jury Clerk at (650) 261-5066.

If you have any questions regarding these procedures, please do not hesitate to contact Paul Okada, Chief Deputy County Counsel, at (650) 363-4761.

Very truly yours,

Neal Taniguchi  
Court Executive Officer

NT:ck  
Enclosure

cc: Hon. Donald J. Ayoob  
Paul Okada

Information Copy: Jovan Grogan, City Manager
FIRE SAFETY INSPECTION PROGRAMS
ON THE ROAD TO RECOVERY

ISSUE

Have the ten fire departments and districts within San Mateo County conducted annual safety inspections of all schools, hotels, motels, apartments, and condominiums within their jurisdictions and are they ready to report to their administering authorities as required by SB 1205 (2018)?

SUMMARY

California state law requires that all fire departments and districts in the state ("fire departments") conduct annual safety inspections of all public and private schools, apartments, condominiums, hotels and motels within their jurisdictions (sometimes referred to in this report as "mandated annual inspections"). In June 2018, the Bay Area News Group investigated the fire safety inspection programs of major fire departments across the Bay Area, including the Redwood City Fire Department in San Mateo County. The Bay Area News Group found that fire departments, including the Redwood City Fire Department, were routinely failing to conduct these mandated annual inspections. A state law (SB 1205) which became effective in January 2019, now requires all fire departments to submit Annual Reports to their governing bodies or administering authorities (e.g., city council, fire district board, board of supervisors) regarding their compliance with the state’s mandate for annual fire safety inspections.

Based on the Bay Area News Group’s assertion that at least one fire department within San Mateo County had failed to annually conduct inspections, the Grand Jury undertook a compliance review of all ten fire departments1 within the County for the years 2015 through 2018 to determine whether their mandated annual inspections were conducted as required. For the period in question, the Grand Jury found substantial non-compliance among seven of the ten fire departments, particularly for the years prior to 2018. Although most departments appear to be making substantial efforts to correct their deficiencies, those departments must address such deficiencies promptly if they are to comply with the requirements of SB 1205.

SB 1205 does not set forth the information to be contained in Annual Reports submitted by fire departments to their administering authorities. The Grand Jury concludes that administrative authorities should provide written instructions regarding the required content and due date for submission of Annual Reports in order to provide meaningful oversight of fire departments’ compliance with annual inspection laws. The Grand Jury also recommends that all fire departments establish written policies specifying processes and procedures for conducting inspection programs that comply with state law and for regularly monitoring their performance

1The ten fire departments in San Mateo County are: Central County Fire Department, Coastside Fire Protection District, Colma Fire District, Menlo Park Fire Protection District, North County Fire Authority, Redwood City Fire Department, San Bruno Fire Department, San Mateo Consolidated Fire Department, South San Francisco Fire Department, and Woodside Fire Protection District.
against these requirements. Finally, the Grand Jury recommends that fire departments make data on compliance with annual inspection requirements available on their websites to members of the public.

BACKGROUND

Building safety inspections by fire departments are essential to identify potential fire hazards before they occur. When inspections do not occur, disasters result. Lawmakers have focused special attention on certain categories of buildings and require them to be inspected annually. California Health and Safety Code Sections 13146.2, 13146.3, and 17921(b) mandate that fire departments conduct annual inspections of all the buildings in the following building categories within their jurisdiction:

- Public and private schools
- Hotels
- Motels
- Apartment buildings, and
- Condominiums

Fire departments are also authorized, but not required, to annually inspect high-rise buildings in their jurisdictions (California Health & Safety Code, Section 13217a). Significantly, prior to the passage of SB 1205 in 2018, California law did not include any requirement for fire departments to report on their compliance with annual inspection obligations.

The infamous December 2016 Oakland Ghost Ship warehouse fire in which 36 people were killed brought this problem to public attention. Investigations of the fire by Oakland and Alameda County officials found a number of conditions that contributed to the disaster, including:

- The Oakland Fire Department (OFD) had no record of the Ghost Ship warehouse property, therefore the property was never the subject of formal fire inspections.

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2 Includes buildings and structures occupied by more than six children two years of age and older used for educational purposes through the 12th grade. California Code of Regulations, Title 24, Chapter 3, Use and Occupancy Classification. https://up.codes/viewer/california/ca-building-code-2016-v1/chapter/3/use-and-occupancy-classification#305.


A number of city and county officials were aware of the warehouse and its live/work communal activities but did not take action that may have prevented the disaster.7

A variety of fire and building code violations existed in the warehouse.8

The revelations surrounding the Oakland Ghost Ship fire led to an investigation into the building inspection records of eleven large Bay Area fire departments by the Bay Area News Group (BANG) which resulted in a June 1, 2018 Mercury News article entitled, Burned Out: How overwhelmed fire inspectors fail to protect us.9 The article revealed that many of the fire departments that were investigated by BANG routinely failed to perform all of their required annual inspections. Prevention divisions within these major fire departments, which are responsible for inspections, were described as “overwhelmed and often disorganized.” Failures were attributed to “antiquated data management systems, small staffs and difficulty keeping up with problem properties that require repeat visits.”10

The one fire department in San Mateo County that was included in BANG’s investigation was the Redwood City Fire Department. The article revealed that:

- Of the 17 public and private schools within its jurisdiction, the Redwood City Fire Department had inspected four of the schools only once and 13 others only twice between 2012 and 2017 when each of the schools should have been inspected at least six times.11

- In 2017, 18 percent of Redwood City apartments, hotels, and motels had not been inspected as required.12

- Between 2010 and 2017, 16 percent of apartments, hotels, and motels were overdue for their annual inspections by 6 months or more.13

SB 1205, enacted in 2018, now requires fire departments to report annually to their governing bodies (referred to in SB 1205 as their “administering authority”) on their compliance with state inspection requirements (referred to throughout this report as an “Annual Report”). The governing body may be a city council, a fire district board for departments serving multiple cities, or a county board of supervisors. This legislation seeks to hold fire departments accountable and offers a mechanism to ensure compliance with inspection laws.

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7 Ibid.
8 Ibid.
10 Ibid.
11 Ibid.
12 Ibid.
13 Ibid.
DISCUSSION

1. Fire departments' primary functions

Fire departments have three primary functions: (a) fire suppression, (b) other emergency responses (primarily for medical emergencies), and (c) fire prevention. Suppression refers to putting out fires that have already started. This entails deployment of fire engines and firefighters that are highly visible to the public and garner significant attention. Interestingly, actual fire suppression accounts for only a small percentage of fire department emergency responses (approximately 3.4 percent in 2016).

Responses to medical emergency calls, which involve responses by suppression personnel and equipment, accounted for approximately 64 percent of all 2016 emergency responses by fire departments in California. Prevention, in contrast, involves the low profile, day-to-day work of inspecting buildings for compliance with fire safety codes, reviewing plans for new building developments to ensure compliance with fire code requirements, on-site inspections of building construction to confirm that fire safety features are being installed per approved building plans, and investigating the causes of fires that do occur. Prevention functions within a fire department are usually managed by a Fire Marshal.

2. Necessary elements for carrying out required annual inspection programs

The elements necessary for a fire department’s performance of its required annual inspection obligations and, under SB 1205, their new reporting obligations, are as follows:

- **Written policies and procedures**: Fire departments should have written policies and procedures in place that set forth: (a) how an inspection program is to be carried out, (b) staff responsibilities, (c) the specific inspection data that must be gathered and available for retrieval, (d) how performance of inspections is to be measured and reported, and (e) oversight and management processes for the inspection program.

- **Lists of buildings required to be inspected**: Fire departments need to have an up-to-date list of all of the buildings within their jurisdiction that must be inspected annually. Developing and maintaining such lists is time consuming and requires the investment of significant resources. In order to do so, fire department staff may review parcel lists, walk through neighborhoods to update the list, and review building permits or tax information to identify owners of apartment buildings.

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15 2016 data from the U.S. Fire Administration/California Fire Loss/Fire Department Profile. www.usfa.fema.gov/data/statistics/states/california.html. The other incident types were: Good Intent 17.9 percent, False Alarms 6.5 percent, Service Calls 6.1 percent, Hazards 1.8 percent, Other 0.3 percent, Explosions 0.1 percent. The information does not total 100 percent due to rounding.
16 Grand Jury interviews.
17 Grand Jury interviews.
18 Grand Jury interviews.
• **Inspection Process:** Building inspections are usually carried out by a mix of prevention inspectors, who have specialized expertise on building code requirements, and regular engine company suppression firefighters. In some fire departments, engine company firefighters conduct most inspections, though in others they are assigned to carry out only simple, routine inspections and prevention personnel carry out the more complex inspections where a higher level of expertise is needed.\(^{19}\)

• **Record keeping and data retrieval:** Accurate records must be maintained of all inspections completed, the dates performed, building addresses, and the types of building inspected (e.g., school, hotel, apartment building). These records need to be organized and maintained in a manner that allows fire departments to monitor performance of their annual inspection obligations, identify inspections yet to be done, monitor follow up when deficiencies are identified, and report to management and administrative authorities on compliance. In all but the smallest fire departments, this necessitates storing inspection data in electronic databases that can be queried for reports reflecting progress against inspection requirements and follow up to ensure deficiencies are corrected.\(^{20}\)

Fire departments’ inspection reports completed in the field have, in the past, been filled out on paper. Paper field reports are either filed manually and maintained only in paper form, or data from the field reports is entered into an electronic database to allow storage, retrieval and analysis. Most departments are moving toward the use of electronic tablet devices such as iPads for field reports.\(^{21}\)

• **Staffing:** Adequate specially trained inspectors who understand the requirements of city and state fire codes are needed. Such staff are usually part of prevention units within fire departments.\(^{22}\)

3. **Grand Jury’s review of individual fire departments’ inspection programs**

(a) **Written policies and procedures:**

Of the ten fire departments in San Mateo County, only the following six have written policies and procedures applicable to their mandated annual inspection obligations:\(^{23}\)

- Central County Fire Department,\(^{24}\)
- Menlo Park Fire Protection District,

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\(^{19}\) Grand Jury interviews.

\(^{20}\) Grand Jury interviews.

\(^{21}\) Grand Jury interviews.

\(^{22}\) Grand Jury interviews.

\(^{23}\) The Grand Jury requested each department to submit policies and procedures. Those received were reviewed by the Grand Jury.

\(^{24}\) According to written communication, the policy on school inspections was updated 1/30/19. The policy on inspections for all occupancies is in draft form but has not been through the department’s approval process.
- Redwood City Fire Department,
- North County Fire Authority,\textsuperscript{25}
- South San Francisco Fire Department, and
- Woodside Fire Protection District.

One additional department, Coastside Fire Protection District, submitted an inspection policy, though it was specific to how engine company staff conducts business inspections and was not specifically for mandated annual inspections. The following fire departments do not have written policies and procedures regarding their inspection programs:

- Colma Fire District,
- San Bruno Fire Department, and
- San Mateo Consolidated Fire Department.

Of the policies submitted to the Grand Jury, the Grand Jury found the most comprehensive were from Menlo Park Fire Protection District (MPFPD) and North County Fire Authority (NCFA). The MPFPD’s policy defines the buildings to be inspected, the procedures to be followed, and inspection fees. Additionally, the MPFPD has an Engine Company Manual that includes occupancy classifications, information on the maintenance of records, an inspection flow chart, a referral form to the Fire Prevention Division for follow up, and a master list change request form. MPFPD also has a detailed slide show presentation on building inspections for engine company staff. The NCFA policies include detailed information on staff responsibilities, assignments, and the inspection process.

(b) \textit{Lists of buildings required to be inspected:}

All ten fire departments investigated by the Grand Jury appear to have comprehensive lists of buildings in their jurisdiction subject to mandatory inspections. These lists may also include businesses in a department’s jurisdiction. (Single family residences are excluded since they are not routinely inspected.)\textsuperscript{26}

(c) \textit{Inspection Process:}

Departments use different combinations of staff with different expertise to conduct inspections. Prevention staff receive training on fire safety codes and must understand the design and function of building systems, such as heating, ventilation, and air-conditioning (HVAC), smoke

\textsuperscript{25}North County Fire Authority’s policy did not mention school inspections.

\textsuperscript{26}Grand Jury interviews.
control, and alarm systems, and sprinklers. Fire suppression staff (also referred to as engine company staff) may only have a general understanding of fire codes.27

Of the ten fire departments investigated by the Grand Jury, the following three use prevention staff alone to complete mandated inspections:28

- Colma Fire District,
- South San Francisco Fire Department, and
- Woodside Fire Protection District.

Though South San Francisco Fire Department now uses prevention staff, engine company staff were used along with prevention staff in 2015, 2016, and 2017 to inspect apartments and condominiums.

Of the seven remaining fire departments, the following four primarily use engine company staff to conduct inspections, though prevention staff will inspect schools and some large structures (which are more complex to inspect):29

- Central County Fire Department,
- San Bruno Fire Department,30
- San Mateo Consolidated Fire Department, and
- North County Fire Authority.

For example, Central County Fire Department engine company staff inspect all but two apartment buildings. Prevention staff inspects the remaining two apartment buildings plus all hotels, motels, and schools.31

Finally, three of the fire departments—the Menlo Park Fire Protection District, Redwood City Fire Department and Coastside Fire Protection District—staff their inspections in other ways. Redwood City Fire Department uses fire prevention staff to conduct inspections of schools, hotels, motels and high-rise occupancies. Engine company personnel conduct inspections of other apartments.32 Menlo Park Fire Protection District uses a combination of prevention and

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27 Grand Jury interviews.
28 Not all fire departments inspect day centers, though such facilities are classified as “Educational” under California Code of Regulations, Title 24, Chapter 3, Use and Occupancy Classification. https://up.codes/viewer/california/ca-building-code-2016-v1/chapter/3/use-and-occupancy-classification#305.
29 Grand Jury interviews.
30 San Bruno Fire Department also uses truck company staff to conduct inspections. Written correspondence.
31 Grand Jury interviews.
32 Prevention staff also inspects four jails bi-annually. Engine and truck company suppression staff were trained to perform fire and life safety inspections. The Department is also inspecting non-mandated business occupancies
engine company staff for inspections and assigns inspections based on the level of technical expertise appropriate for each building. Assignments made to engine company staff will generally be those that require less inspection expertise and prevention staff handle inspections that require higher-level inspection expertise, or that require a greater amount of time to complete. Prevention staff, rather than engine company staff, are also tasked with following up on safety issues in buildings that had earlier been identified by engine company staff.33

Coastside Fire Protection District’s (CFPD) inspection staffing is not yet decided. In 2017, its Unit Chief learned that there had been significant failures in the department in carrying out mandated inspections. As a result, the CFPD hired consultants to complete all of the department’s mandated annual building inspections in 2017 and 2018.34 CFPD will continue to use consultants and engine company personnel to conduct inspections. However, CFPD is considering adding a full-time position in the Fire Marshal’s Office to facilitate inspections (as well as for other duties).35

d) Record keeping and data retrieval:

Until recently, all ten of the fire departments completed their inspection reports on paper, though three of them would then enter data from the reports into an electronic database.36 Four departments that continue to use paper filing system (as opposed to electronic) are:

- Coastside Fire Protection District,
- Colma Fire District,
- San Bruno Fire Department, and
- Woodside Fire Protection District.37

Woodside Fire Prevention District, however, reported that the department would like to digitize reports and eliminate paper files but because of its small size and the cost of a database system, it is unlikely to purchase one.38 Colma Fire District with only thirty-six mandated inspections, is also too small to purchase a database system.39
San Bruno Fire Department (SBFD) reported that records had not been kept in a single, central location but had been scattered across various locations, including fire officers’ personal files. It was only after receiving a document request from the Grand Jury that SBFD’s inspection reports were collected, reviewed, and stored centrally. Since it is likely that files had been misplaced or purged, SBFD does not have an accurate record of the number of inspections that were completed (2015 – 2018). SBFD has addressed these issues and is now confident that it is accounting for all completed inspections on spreadsheets that list the date each building was inspected and by whom. In 2019, the San Bruno City Council approved funds for a Records Management System which is being implemented. Once implemented, staff will use electronic tablets to document inspections which will improve tracking and accounting of inspections.

The following three fire departments complete their inspection reports on paper but then enter the information into a computer database:

- Central County Fire Department,
- Redwood City Fire Department, and
- South San Francisco Fire Department.

Since field report data must be entered manually, there can be delays in accessing up-to-date information and human entry errors or omissions occur. In response to Grand Jury queries, all three fire departments reported that they have difficulty retrieving accurate information from their current database systems regarding inspections. Though Central County Fire Department (CCFD) plans to continue using its current database, CCFD will implement software for the system using iPads to input field inspection data directly into the database system in 2019. Redwood City Fire Department issued an RFP for a new database system and as of June 2019 was in the final phase of evaluating the responses. The new database system will allow for an all-electronic process using iPads in the field. South San Francisco Fire Department is not investing in a new database.

As of January 13, 2019, the fire departments of San Mateo, Belmont, and Foster City completed their five-year transition to a single department called the San Mateo Consolidated Fire Department. The three city fire departments had used different database systems, though field inspection reports were completed on paper. San Mateo Consolidated Fire Department has

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40 Grand Jury interviews.
41 Grand Jury interviews.
42 Written correspondence.
43 Grand Jury interviews.
44 Grand Jury interviews.
45 Grand Jury interviews.
46 Grand Jury interviews.
47 Grand Jury interviews.
48 Grand Jury interviews.
49 Implementation of the iPad-based system has been delayed by the database company for two years. The department is hopeful that problems will be resolved soon. Grand Jury correspondence.
50 Grand Jury interviews and correspondence.
implemented a new database system that incorporates the inspection data of its three predecessors going back to July 2018. This database is able to track and report on the completion of mandated inspections in the department’s jurisdiction. However, data for inspections done prior to July 1, 2018 are not included in the new system and can only be accessed by querying each of the three predecessor databases individually and then consolidating the results manually. All paper field inspection forms were eliminated in 2018 when staff transitioned to iPads for field reports.\(^5\)

The Grand Jury identified two fire departments, Menlo Park Fire Protection District (MPFPD) and North County Fire Authority (NCFA), that currently have robust database systems on which they maintain inspection data. MPFPD staff has utilized iPads for approximately three years to complete field inspection reports. Inspection reports completed prior to that time and stored in paper form were digitalized so that their data could be incorporated into the database system, allowing staff to compare multiple years of inspections.\(^5\)

In 2017, NCFA implemented an electronic records management system. Field inspection reports are currently completed on paper and then entered into the electronic system manually but NCFA expects that staff will begin using iPads for their field inspection reports in 2019. A demonstration of the database showed that inspections for individual sites are complete and easily accessible, though the reporting functionality was limited. For example, staff could not easily run a report to determine the percentage of mandated inspections completed.\(^5\) The Grand Jury noted that customized reports may still need to be created by the database vendor to meet all NCFA’s reporting needs.

In all of the fire departments, inspection reports that document hazards and/or fire safety violations lead to re-inspections.\(^5\) The Grand Jury noted that inspection data submitted by fire departments identified sites that had been inspected multiple times in a year. Inspections of these sites\(^5\) were repeated to ensure violations were addressed. Departments’ use of iPads or tablets allows inspectors to more easily take and attach photographs to inspection reports to document violations.\(^5\)

e. **Staffing issues**

Of the ten fire departments investigated by the Grand Jury, three reported the need for additional fire prevention staff:\(^5\)

- Redwood City Fire Department,
- San Bruno Fire Department, and

\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.  
\(^5\) Grand Jury interviews.
San Mateo Consolidated Fire Department.\textsuperscript{58}

Since first contacted by the Grand Jury, San Bruno Fire Department added a full-time prevention staff position\textsuperscript{59} and Redwood City Fire Department retained two contract fire inspectors and is in the process of filling a vacant Deputy Fire Marshal position.\textsuperscript{60}

Two others -- Coastside Fire Protection District (CFPD), and South San Francisco Fire Department (SSFD) -- stated that they need to further assess their prevention staffing needs because of their unique staffing issues.\textsuperscript{61} Specifically, prevention staff in the SSFD has been tasked with code enforcement for all city code violations. SSFD estimates that general code enforcement (which does not include fire inspections) at times can consume up to 75 percent of prevention staff’s time based on code case volume and the complexity of individual code cases. SSFD’s general code enforcement responsibility is being transitioned to the city’s Public Works Department in 2019. Once that shift in responsibility is completed, SSFD’s prevention staffing needs will be assessed.\textsuperscript{62}

With respect to the Coastside Fire Protection District, the Grand Jury learned that positions tasked with conducting inspections and oversight had been left vacant since 2016.\textsuperscript{63} Following the hiring of a new Fire Marshal, however, officials from CFPD informed the Grand Jury that they intend to re-assess staffing needs, particularly since CFPD’s annual inspections have been conducted by consultants rather than fire department personnel since 2017.

f. Data on compliance with mandated annual inspection laws

The data gathered and analyzed by the Grand Jury on San Mateo County fire departments’ compliance with their annual inspection obligations from 2015 through 2018 is set forth in Table 1 below. It paints a mixed picture, showing widespread failures to conduct mandated annual inspections, particularly in the earlier years, with substantial improvements taking place in 2018.

As Table 1 shows, the following seven fire departments did not conduct at least 90 percent of the annual mandated inspections as required in all or some of the years from 2015 through 2018:

- Coastside Fire Protection District,
- Central County Fire Department,
- Colma Fire District.\textsuperscript{64}

\textsuperscript{58} Grand Jury interviews.
\textsuperscript{59} Written correspondence.
\textsuperscript{60} Written correspondence.
\textsuperscript{61} Grand Jury interviews.
\textsuperscript{62} Grand Jury interviews and written correspondence.
\textsuperscript{63} Grand Jury interviews.
\textsuperscript{64} Colma Fire District was unaware of the public space inspection requirements for condominiums but has now included them on their list of required inspections. Written correspondence and Grand Jury interviews.
• Redwood City Fire Department,
• San Bruno Fire Department,
• San Mateo Consolidated Fire Department, and
• South San Francisco Fire Department.

The reasons for lapses in inspections vary.

• Two departments, Coastside Fire Protection District and South San Francisco reported staffing issues, already described, which negatively impacted the ability of staff to complete inspections.

• A lack of oversight was reported by staff in two departments, San Bruno Fire Department, and Coastside Fire Protection District. The Grand Jury believes this lack of oversight was also a factor that contributed to the lack of inspections by Redwood City Fire Department.

• The lack of searchable database systems was also a factor in the seven departments noted above since staff could not readily assess their compliance with state inspection mandates throughout the 2015 - 2018 timeframe.

• The disjointed storage of files by staff in San Bruno Fire Department meant SBFD could not verify that inspections were completed.

The Grand Jury was unable to analyze the data submitted by the San Mateo Consolidated Fire Department (SMCFD) for 2015 through 2017. The data submitted came from the three city fire departments (Belmont, Foster City, and San Mateo) that now make up SMCFD and came from different database systems and which appeared incomplete. The Grand Jury was unable to combine the data for analysis. The data for 2018 was from one database and although inspections for all schools in the jurisdiction were complete, inspections for apartments, condominiums, hotels, and motels were incomplete.

Three departments consistently performed at least 90 percent of mandated annual inspections from 2015 through 2018. These departments are:

• Menlo Park Fire Protection District (MPFPD),
• North County Fire Authority (NCFA), and
• Woodside Fire Protection District (WFPD).

65 Grand Jury interviews.
66 Written correspondence.
All three have well developed inspection programs including written policies and procedures for inspections. Two of the departments, MPFPD and NCFA, have also invested resources for database systems that permit monitoring and oversight. Even though WFPD did not have a computer database, the department was sufficiently well-organized, and the number of mandated inspections was small, such that management was able to effectively oversee the process to ensure annual inspections of schools in the district.
The Department did not have an accurate count of the inventory in the district until July 2018 when inspection data from the three cities was migrated to one system. Therefore, 2018 calendar year represents the first year with complete data records.

The Grand Jury could not extract the desired statistics on annual inspections for the San Mateo Consolidated Fire Department from 2015-2017 due to the quality of the data submitted. The Department did not have an accurate count of the inventory in the district until July 2018 when inspection data from the three cities was migrated to one system. Therefore, 2018 calendar year represents the first year with complete data records.

### Table 1: Inspections Completed Annually Compared to Required Inspections by Fire Department

<table>
<thead>
<tr>
<th>Name</th>
<th>Jurisdictions Served</th>
<th>School Inspections</th>
<th>Apt/Condo/Hotel/Motel Inspections</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Required</td>
<td>Completed</td>
<td>Required</td>
</tr>
<tr>
<td>Coastside Fire Protection District</td>
<td>Half Moon Bay, Miramar, El Granada, Princeton-by-the-Sea, Moss Beach, Montara</td>
<td>22</td>
<td>6</td>
</tr>
<tr>
<td>Central County Fire Department</td>
<td>Burlingame, Hillsborough, Millbrae</td>
<td>22 to 23</td>
<td>18 of</td>
</tr>
<tr>
<td>Colma Fire District</td>
<td>Colma, Broadmoor, Sterly Village, unincorporated Daly City</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td>Menlo Park Fire Protection District</td>
<td>Atherton, Menlo Park, East Palo Alto, some of unincorporated San Mateo County</td>
<td>76</td>
<td>77</td>
</tr>
<tr>
<td>North County Fire Authority</td>
<td>Brisbane, Daly City, Pacifica</td>
<td>81 to 87</td>
<td>84 of</td>
</tr>
<tr>
<td>Redwood City Fire Department</td>
<td>Redwood City, San Carlos, some of unincorporated San Mateo County</td>
<td>36</td>
<td>24</td>
</tr>
<tr>
<td>San Bruno Fire Department</td>
<td>San Bruno</td>
<td>14</td>
<td>12</td>
</tr>
<tr>
<td>San Mateo Consolidated Fire Department</td>
<td>Belmont, Foster City, San Mateo</td>
<td>57</td>
<td>NA</td>
</tr>
<tr>
<td>South San Francisco Fire Department</td>
<td>South San Francisco</td>
<td>18</td>
<td>5</td>
</tr>
<tr>
<td>Woodside Fire Protection District</td>
<td>Woodside, Portola Valley, Ladera, Los Trancos, Skyline, Vista Verde</td>
<td>6</td>
<td>6</td>
</tr>
</tbody>
</table>

67 Central County Fire Department inspected 22 schools in 2015 and 2016 and 23 in 2017 and 2018. Because of the Department’s computer system, the Department could not extract data for 2015.

68 Colma Fire District was unaware of the requirement to inspect public spaces in condominiums but has now included them on their list of required inspections. Written correspondence and Grand Jury interviews.

69 According to Menlo Park Fire Protection District staff, the total number of buildings inspected changes annually. This is due to changes in day-to-day care facilities which are included in its list of mandated school inspections. The district also allows one inspection form for a property or complex instead of multiple forms for one site which may account for some of the differences in inspection totals noted in the table.

70 North County Fire Authority noted changes in the number of schools reported annually because of construction, closures, preschools (which are inspected), and corrections in their database.

71 This number only includes apartment buildings. Redwood City Fire Department does not inspect condominiums. Written correspondence. The Grand Jury notes that all other departments included condominiums as part of their mandated inspections.

72 Redwood City Fire Department operates by Fiscal Year. The data for 2018 is based on FY 2018-2019, July 1, 2018 to June 30, 2019. The Department provided data as of March 2019 and expects to complete all inspections by June 30. There are 28 hotels and motels in Redwood City and San Carlos and the Department had inspected 22 or 79% but expects to complete all inspections by June 30. Written Communication.

73 The Grand Jury could not extract the desired statistics on annual inspections for the San Mateo Consolidated Fire Department from 2015-2017 due to the quality of the data submitted. The Department did not have an accurate count of the inventory in the district until July 2018 when inspection data from the three cities was migrated to one system. Therefore, 2018 calendar year represents the first year with complete data records.
4. Conclusions

Inspections
As the data in Table 1 documents only three fire departments in the county, Menlo Park Fire Protection District, North County Fire Authority, and Woodside Fire Protection District, have consistently inspected at least 90 percent of their mandated annual inspections of schools, hotels, motels, and condominiums within their jurisdictions from 2015 through 2018. Redwood City Fire Department was non-compliant from 2015 – 2017, completing only 2 percent of schools and 48 percent of hotels, motels, and condominiums in 2016. However, the data indicates that the Department appears to be on track to complete their mandated inspections by the end of their fiscal year (June 30, 2019). Other departments have also shown improvement. In 2018, Coastside Fire Protection District completed more than 90 percent of school inspections (up from 36 percent the previous year). Central County Fire Department completed more than 90 percent of inspections of apartments, condominiums, hotels and motels in 2017 and 2018 (up from 61 percent in 2016). San Bruno Fire Department completed 100 percent of school inspections in 2018 (up from 86 percent the previous years).

Record Keeping and Data Retrieval
A number of departments are enhancing their database systems. However, as Woodside Fire Protection District demonstrates, smaller departments can complete and document inspections without costly investments in a database system.

Inspection Process
Table 2 summarizes information regarding inspection programs across the ten fire departments. A number of departments recently implemented the use of iPads or tablets to document inspections and others plan to do so. This should eliminate problems associated with paper files and such tools, as previously noted, allow departments to document deficiencies by attaching photographs.

Written Policies and Procedures
The first submissions of Annual Reports on mandated inspections will be for 2019. As previously noted, SB 1205 does not specify what information must be in those reports. Even the most comprehensive policies and procedures submitted to the Grand Jury did not specify what information departments will submit to their administering authorities.
### Table 2: Summary of Inspection Programs

<table>
<thead>
<tr>
<th>Name</th>
<th>Written policies and procedures in place for mandated inspection program?</th>
<th>Master List of Bldgs. to Inspect?</th>
<th>Records</th>
<th>Electronic Database in Use?</th>
<th>At Least 90% of All Inspections Completed from 2015 - 2018</th>
</tr>
</thead>
<tbody>
<tr>
<td>Central County Fire Dept.</td>
<td>For School Inspections&lt;sup&gt;74&lt;/sup&gt;</td>
<td>Yes</td>
<td>Paper field inspection forms used, though iPads to be implemented in 2019</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Coastside Fire Protection Dist.</td>
<td>No</td>
<td>Yes</td>
<td>Paper field inspection forms used</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Colma Fire Dist.</td>
<td>No</td>
<td>Yes</td>
<td>Paper field inspection forms used</td>
<td>No</td>
<td>No</td>
</tr>
<tr>
<td>Menlo Park Fire Protection Dist.</td>
<td>Yes</td>
<td>Yes</td>
<td>iPads used for field inspection reports</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>North County Fire Auth.</td>
<td>Yes (for apartments, hotels, motels, condos)</td>
<td>Yes</td>
<td>Paper field inspection forms used, though iPads to be implemented in 2019</td>
<td>Yes</td>
<td>Yes</td>
</tr>
<tr>
<td>Redwood City Fire Dept.</td>
<td>Yes</td>
<td>Yes</td>
<td>Paper field inspection forms used but iPads to be used with new database system when implemented</td>
<td>Yes, and department will be implementing a new system</td>
<td>Yes, for FY 2018-2019</td>
</tr>
<tr>
<td>San Bruno Fire Dept.</td>
<td>No</td>
<td>Yes</td>
<td>Tablets to be used beginning in 2019</td>
<td>Implementing a system in 2019.</td>
<td>Yes, for Schools</td>
</tr>
<tr>
<td>San Mateo Consolidated Fire Dept.</td>
<td>No</td>
<td>Yes</td>
<td>iPads used for field inspection reports</td>
<td>Yes (as of July 2018)</td>
<td>No</td>
</tr>
<tr>
<td>South San Francisco Fire Dept.</td>
<td>Yes (and in process of updating)</td>
<td>Yes</td>
<td>Paper field inspection forms used</td>
<td>Yes</td>
<td>No</td>
</tr>
<tr>
<td>Woodside Fire Protection Dist.</td>
<td>Yes</td>
<td>Yes</td>
<td>Paper field inspection forms used, but department is considering digitizing paper reports</td>
<td>No</td>
<td>Yes</td>
</tr>
</tbody>
</table>

<sup>74</sup>As previously noted, the policy on engine company inspections is in draft form and has not been approved through the department's process.
FINDINGS

Inspections

F1. California Health & Safety Code Sections 13146.2, 13146.3 and 17921(b) and regulations require fire departments to conduct annual inspections of all public and private schools, hotels, motels, lodging houses, and apartments in their jurisdictions (mandated annual inspections).

F2. From 2015 through 2018, the following three fire departments conducted inspections of over 90 percent of the mandated buildings in their jurisdictions, as shown in Table 1:
   • Menlo Park Fire Protection District
   • North County Fire Authority
   • Woodside Fire Protection District

F3. The disorganization and incompleteness of the data submitted by the San Mateo Consolidated Fire Department for 2015 through 2017 (which it inherited from its predecessor fire departments) was such that it could not be analyzed by the Grand Jury. However, data submitted by SMCFD for 2018 was well organized and showed 100 percent of schools and 82 percent of the apartments, condominiums, hotels and motels within its jurisdiction were inspected that year.

F4. Each of the fire departments is developing more robust inspection programs by, for example:
   • implementing database management systems.
   • adding prevention staff.
   • using iPads or tablets to document inspections.

F5. SB 1205 does not specify what the content of Annual Reports to fire departments' administrative authorities should be regarding mandated annual inspections

School Inspections:

F6. In 2015, 2016, and 2018 Central County Fire Department failed to perform annual inspections of at least 90 percent of the schools within its jurisdiction although it completed 96 percent of school inspections in 2017 as shown on Table 1.

F7. From 2015 through 2017 the following four fire departments failed to perform annual inspections of at least 90 percent of the schools within their jurisdiction, though all showed substantial improvement in 2018 as shown on Table 1:
   • Coastside Fire District increased inspections from 36 percent in 2017 to 91 percent in 2018.
   • Redwood City Fire Department increased from 15 percent in 2017 to 85 percent in 2018 and is on track to complete all schools by the end of its fiscal year.
San Bruno Fire Department increased inspections from 86 percent in 2017 to 100 percent in 2018.
South San Francisco increased inspections from 50 percent in 2016 and 2017 to 100 percent in 2018.

F8. From 2015 through 2018 Colma Fire District completed 100 percent of school inspections.

Apartment/Condominium/Hotel/Motel Inspections:

F9. From 2015 through 2018, the following four fire departments failed to perform annual inspections of at least 90 percent of the apartments, condominiums, hotels and motels within their jurisdiction, as shown on Table 1:
- Coastside Fire Protection District;
- Colma Fire District;
- San Bruno Fire Department; and
- South San Francisco Fire Department.

F10. From 2015 through 2017 Redwood City Fire Department failed to perform annual inspections of at least 90 percent of the apartments, hotels and motels within its jurisdiction, though the department showed substantial improvement in 2018 as shown on Table 1:
- Redwood City Fire Department improved from a low of 48 percent in 2016 to 77 percent in 2018 and is on track to complete all inspections by the end of its fiscal year.

F11: In 2016 Central County Fire Department failed to perform annual inspections of at least 90 percent of the apartments, condominiums, hotels and motels within its jurisdiction. The department inspected over 90 percent of these structures in 2017 and 2018. The Department could not provide data for 2015.

Record-Keeping & Data Retrieval

F12: The following five fire departments currently have data management systems that allow them to readily track and report on the completion of their mandated annual inspections:
- Central County Fire Department,
- Menlo Park Fire Protection District,
- North County Fire Authority,
- San Mateo Consolidated Fire Department, and
- Woodside Fire Protection District.

F13: The following two departments plan to implement database systems that will allow them to readily track and report on the completion of their mandated annual inspections:
- San Bruno Fire Department and
- Redwood City Fire Department.
F14: The following three fire departments need to assess their data management systems to allow them to readily track and report on the completion of their mandated annual inspections:
- Coastside Fire Protection District,
- Colma Fire District, and
- South San Francisco Fire Department.

**Inspection Process & Staffing**

F15. The following three fire departments reported the need for additional prevention staff to complete all of their mandated annual inspections:
- Redwood City Fire Department,
- San Bruno Fire Department, and
- San Mateo Consolidated Fire Departments.

F16. Coastside Fire Protection District and South San Francisco Fire Department reported they need to assess the sufficiency of their prevention staffing.

**Written Policies & Procedures**

F17. The following four fire departments reported they do not have written policies and procedures in place governing their mandated annual inspection programs:
- Coastside Fire Protection District,
- Colma Fire District,
- San Bruno Fire Department, and
- San Mateo Consolidated Fire Department.

F18. None of the ten departments' policies and procedures specified how they will report to their administering authorities under SB 1205 (2018).

**RECOMMENDATIONS**

R1. By no later than January 31, 2020, each fire department within the county should put in place a written policy that sets forth the process for (1) maintaining a comprehensive list of all buildings within its jurisdiction for which annual inspections required under Sections 13146.2 and 13146.3 of the California Health & Safety Code are to be performed, (2) keeping such a list updated on an annual basis, and (3) completing and reporting on all mandated annual inspections.

R2. By no later than November 30, 2019, each fire department should submit a proposal to its administering authority setting forth the content of the annual report as required under Section 13146.4 of the California Health & Safety Code (former SB 1205) (the "Annual Report"), which at a minimum should propose the inclusion of the following information in the Annual Report:
The total number of buildings within the fire department's jurisdiction in each category of building (referred to as a "occupancy type") subject to mandated annual inspections that year.

- The number of each occupancy type inspected during the year;
- The number of each occupancy type, if any, not inspected that year and the reason such inspection did not take place, and
- The number of each occupancy type, if any, not inspected for two or more consecutive years.

R3. By no later than January 31, 2020, the administering authority for each fire department should review the proposal for the content of the Annual Report submitted by its fire chief and provide written instructions regarding the required content and due date for submission of the Annual Report.

R4. By no later than February 28, 2020 (and annually thereafter), the administering authority for each fire department should instruct the fire chief to publish the fire department's Annual Report on the fire department's public website.

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests that each of the following respond to the foregoing Findings and Recommendations referring in each instance to the number thereof:

- Central County Fire Department Board of Directors
- Coastside Fire Protection District Board of Directors
- Colma Fire District Board of Directors
- Menlo Park Fire Protection District Board of Directors
- North County Fire Authority Board of Directors
- The City Council of Redwood City.
- The City Council of San Bruno
- San Mateo Consolidated Fire Department Board of Directors
- The City Council of South San Francisco
- Woodside Fire Protection District Board of Directors

In responding to the foregoing Findings and Recommendations, each of the respondents should respond only as to that part of the Finding or Recommendation that expressly applies to it. No respondent should respond as to any other respondent.

Each respondent should be aware that its comments or responses must be conducted subject to the notice, agenda, and open meeting requirements of the Brown Act.
METHODOLOGY

The Grand Jury reviewed relevant provisions of the California Health and Safety Code governing required annual inspections, SB 1205, the legislative history for SB 1205 regarding fire inspections and compliance reporting; and local news articles relating to fire safety inspections.

The Grand Jury reviewed annual inspection data provided by each of the ten fire departments in San Mateo County for the years 2015 through 2018, conducted interviews with personnel from each fire department, reviewed their written policies and procedures governing safety inspections (to the extent they existed) and reviewed each fire department’s website information.

Documents

- The Grand Jury reviewed inspection data from the 10 fire departments in San Mateo County.
- Documents in the Bibliography

Interviews

- The Grand Jury interviewed personnel from each of the ten fire departments in San Mateo County.

BIBLIOGRAPHY

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  Incident #2016-85231, December 2, 2016, 1315 31st Avenue, March 18, 2017, 3.

- Thomas Peele, “Burned Out How overwhelmed fire inspectors fail to protect us”, The
  Mercury News/East Bay Times, June 1, 2018

- U.S. Fire Administration/California Fire Loss/Fire Department Profile

Issued: July 22, 2019
RESOLUTION NO. 2019 -

RESOLUTION DEFINING THE FIRE DEPARTMENTS ANNUAL REPORT FOR COMPLIANCE WITH SECTION 12146.4 OF THE CALIFORNIA HEALTH & SAFETY CODE

WHEREAS, A state law (SB 1205) which became effective in January 2019, now requires all fire departments to submit annual reports to their governing bodies or administering authorities (e.g., city council, fire district board, board of supervisors) regarding their compliance with the state's mandate for annual fire safety inspections; and

WHEREAS, Mandated inspections include all public and private schools, hotels, motels, lodging houses, and apartments; and

WHEREAS, To comply with the Grand Jury report recommendations and Section 13146.4 of the California Health & Safety Code (former SB 1205), the Fire Department is recommending that the annual report be included in the Department’s Performance and Workload Measures in the City’s annual budget; and

WHEREAS, At a minimum the report will include the following: The total number of buildings within the Fire Department’s jurisdiction in each category of building (referred to as an "occupancy type") subject to mandated annual inspections that year; The number of each occupancy type inspected during the year; The number of each occupancy type, if any, not inspected that year and the reason such inspection did not take place; and The number of each occupancy type, if any, not inspected for two or more consecutive years; and

WHEREAS, The Department will make the report available on the City’s website located on the San Bruno Fire Department webpage; and

NOW THEREFORE, BE IT that the San Bruno City Council hereby adopts Resolution Defining the Fire Departments Annual Report for Compliance with Section 13146.4 of the California Health & Safety Code.

---oOo---

I hereby certify that foregoing Resolution No. 2019 -
was introduced and adopted by the San Bruno City Council at a regular meeting on October 8, 2019, by the following vote:

AYES: Councilmembers:

NOES: Councilmembers:

ABSENT: Councilmembers:

Melissa Thurman, CMC
City Clerk

ATTACHMENT 3
DATE:          October 8, 2019
TO:            Honorable Mayor and Members of the City Council
FROM:          Jovan D. Grogan, City Manager
PREPARED BY:   Keith DeMartini, Finance Director

BACKGROUND:

On July 29, 2019, the San Mateo County Civil Grand Jury (CGJ) released a report entitled “Soaring City Pension Costs – Follow-up on Grand Jury Report of 2017-2018.” The report follows up on the first report issued by the Civil Grand Jury on July 17, 2018, in which the CGJ discussed the impact of increasing pension costs in San Mateo County cities within the next decade, and what actions the cities have taken and can take in order to meet those financial obligations. Within the report, the Grand Jury developed twenty-seven findings and two recommendations applicable to the City of San Bruno. City of San Bruno’s responses to each finding and recommendation are due to the Grand Jury no later than ninety days following the issuance of the report.

DISCUSSION:

The City is San Bruno is required to respond to each finding and recommendation. The findings include observations related to the financial obligations of City contribution payments and City pension plans, and projections of future pension costs. The Grand Jury’s recommendations include publishing an annual or bi-annual budget, including a General Fund operating budget forecast for the next ten fiscal years and setting forth dollar amounts of the City’s annual pension costs paid to CalPERS.

The 2017-2018 CGJ report recommended that cities develop long-term financial plans to address their pension liabilities and public readily-accessible information on their websites about future pension costs and their long-term financial plans. The Grand Jury did not recommend what specific actions the cities should take to plan for meeting their pension obligations but did outline a number of alternatives. Broadly, they fell into three categories:

ITEM 5.e.
1. Reducing future pension payments to CalPERS by paying down the Unfunded Liabilities early, thereby saving interest costs;
2. Managing future pension payments to CalPERS by methods such as contributions to a reserve, negotiating cost-sharing arrangements with employees, and keeping employee salary increases within the rate assumed by CalPERS; and
3. Adapting to future pension payment increases by reducing municipal operating costs and/or seeking revenue enhancements.

To address the City’s financial challenges related to pensions, other personnel costs, funding for programs and services, building/facility maintenance, road repairs, and other financial constraints, the City has embarked on a multi-year fiscal sustainability effort as part of our FY2019-20 budgeting process. The scope of this effort includes developing an understanding of the financial pressures and constraints on the City’s General Fund – today and into the foreseeable future.

In recent months, the City has taken the following steps to improve fiscal stability:

- Established development impact fees to ensure developers pay their fair share for future infrastructure and capital projects;
- Standardized and modernized billing practices;
- Implemented budgetary and expenditure controls and operational efficiencies;
- Developed a Cable Enterprise Business Plan;
- Assess user fees and permit charges to more accurately reflect City costs;
- Audit property tax, hotel room tax and business license tax payers;
- Develop a short-term rental ordinance; and,
- Analyze surplus and underutilized City property for potential sale or reuse for revenue generation.

On the positive side, prudent financial planning means that the City has time to develop budgetary solutions and put corrective actions in place.

Through the adopted budget, the City will be able to maintain core service levels as well as make modest enhancements in a few notable areas. However, the adopted budget reflects tough choices to not enhance needed services due to financial constraints in both the operating and capital budgets. There remains millions of dollars’ worth of deferred capital improvements and maintenance, and the City is not able to meet the needs and service priorities of the community in several.

In general, the City of San Bruno’s fiscal condition is stable, but not sustainable. The backlog of deferred maintenance to public infrastructure and future growth in employee costs, most notably being pension cost increases, will continue to significantly impact the health of the City’s General Fund and the Enterprise Funds.
Staff has reviewed the findings and recommendations and has prepared a response letter for City Council approval attached to this report. In summary, staff generally agrees with each finding listed within the report. Furthermore, staff is taking the necessary steps to comply with the listed recommendations.

**FISCAL IMPACT:**

There is no fiscal impact associated with this action.

**ALTERNATIVES:**

The City of San Bruno is required to respond to the Grand Jury Report.

**RECOMMENDATION:**


**ATTACHMENTS:**

1. Response Letter to the San Mateo County Civil Grand Jury Report
2. San Mateo County Civil Grand Jury Report

**DATE PREPARED:**

September 12, 2019
October 8, 2019

Honorable Donald J. Ayoob
Judge of the Superior Court
c/o Charlene Kresevich
Hall of Justice
400 County Center; 2nd Floor
Redwood City, CA 94063-1655


Dear Judge Ayoob,

Thank you for the opportunity to respond to the Grand Jury report titled “Soaring City Pension Costs – Follow-up on Grand Jury Report of 2017-2018.” The City of San Bruno’s responses to both the findings and recommendations are listed below.

Responses to Grand Jury Findings:

F1. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined covered payroll for the City’s pension plans for each of FY2014-15, FY2015-16, FY2016-17 and FY2017-18 in the amounts set forth beside its name for that year in Appendix A.

Response: The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F2. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined contribution payments to CalPERS on the City’s pension plans for each of FY2014-15, FY2015-16, FY2016-17 and FY2017-18 in the amounts set forth beside its name for that year in Appendix A.

Response: The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F3. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined Unfunded Liabilities (as defined) in this report) for the City’s pension plans for each of FY2014-15, FY2015-16, FY2016-17 and FY2017-18 in the amounts set forth beside its name for that year in Appendix A. Each City has been required to make large Amortization Cost (as defined in this report) payments of principal and interest to CalPERS
on those Unfunded Liabilities. These payments have diverted money that could otherwise have been used to provide public services or to add to reserves.

Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F4. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined Funded Percentages (as defined in the prior report) for the City’s pension plans for each of FY2014-15, FY2015-16, FY2016-17 and FY2017-18 in the amounts set forth beside its name for that year in Appendix A.

Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F5. Each City’s audited annual financial report for the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018 reported what the combined Unfunded Liabilities (as defined in the prior report) for the City’s pension plans for each of FY2014-15, FY2015-16, FY2016-17 and FY2017-18 would have been if the applicable Discount Rate applied to calculate them had been one percentage point lower in the amount set forth beside its name for that year in Appendix A.

Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.


Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F7. In each of the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018, each City’s combined contribution payments to CalPERS on the City’s pension plans represented the percentage of that City’s general fund total expenditures for that year set forth beside its name for that year in Appendix A in the column entitled “Contribution Payments as % of General Fund Total Expenditures.”

Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F8. In each of the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018, each City’s combined contribution payments to CalPERS on the City’s pension plans represented the percentage of that City’s combined covered payroll for the City’s pension plans in the amount set forth beside its name for that year in Appendix A in the column entitled “Contribution Rate (i.e., Contribution Payments as % of Covered Payroll).”

Response:
The City of San Bruno agrees with respect to San Bruno’s annual financial report.

F9. Each of Colma, Daly City, Foster City, Hillsborough and Redwood City includes in its annual, or bi-annual budgets published on its public website, projections showing the annual dollar amount of its projected pension contribution costs for the next five or more years. None of the other Cities do so.

Response:
The City of San Bruno disagrees with this finding. Please refer to the graph and accompanying narrative within the City Manager’s Message on page A10 of the adopted FY2019-20 budget, posted on the City’s website at: https://www.sanbruno.ca.gov/civicax/filebank/blobdload.aspx?BlobID=30771.

F10. Neither Atherton, Brisbane, nor Portola Valley have published, anywhere on their public website or their agenda package for city council meetings, projections showing the annual dollar amount of their projected pension contribution costs for the next five or more years.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F11. The only way to find projections showing the annual dollar amount of the following Cities’ projected pension contribution costs for the next five or more years on their public websites is by manually searching through agenda packages for their city council meetings: Belmont, Burlingame, East Palo Alto, Half Moon Bay, Menlo Park, Millbrae, Pacifica, San Bruno, San Carlos, San Mateo, South San Francisco and Woodside.

Response:
The City of San Bruno disagrees with this finding. Please refer to the graph and accompanying narrative within the City Manager’s Message on page A10 of the adopted FY2019-20 budget, posted on the City’s website at: https://www.sanbruno.ca.gov/civicax/filebank/blobdload.aspx?BlobID=30771. From the City’s homepage (https://www.sanbruno.ca.gov), you can click on “How Do I…” at the top right corner of the page, and then select “City Financial Report.” The Current financial reports and budget are displayed on this page, and historical financial documents can be accessed by clicking on “Archive” on the top right corner of the page.

F12. Each of Colma, Daly City, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, South San Francisco and Woodside has a general fund operating budget forecast covering a ten-year period. Of those nine, only Colma, Hillsborough, Menlo Park, Redwood City, San Mateo and Woodside make those forecasts accessible to the public in their most recent annual or bi-annual budgets or annual financial reports published on their public websites.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno. The City of San Bruno has implemented a 5-year
financial forecast for the General Fund, Enterprise Funds and the Capital Improvement Program in the City Council adopted FY2019-20 budget which is available on the City’s website. Beyond the 5-year financial time horizon, revenue and expenditure assumptions related to economic factors become less reliable and predictable. At this time, the City plans to continue implementing the 5-year financial forecast in the upcoming FY2020-21 budget cycle in order to improve the financial forecast methodology and may consider expanding the financial forecast period to a 10-year term at a later time.

F13. The only way to find the ten-year general fund operating fund operating budget forecasts on the public websites of Pacifica and South San Francisco is by manually searching through agenda packages for their City Council meetings.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F14. Daly City’s ten-year general fund operating forecast is not accessible to the public through its public website.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F15. Each of Atherton, Belmont, Brisbane, Burlingame, Foster City, Half Moon Bay, San Bruno and San Carlos has a general fund operating budget forecast covering only a five-year period. Of those eight, only Belmont, Foster City, Half Moon Bay, San Bruno and San Carlos make the forecasts available to the public in their most recent annual or bi-annual budgets or annual financial reports published on their public websites.

Response:
The City of San Bruno agrees as it relates to the City of San Bruno.

F16. The only way to find the five-year general fund operating budget forecasts on the public websites of Atherton and Burlingame is by manually searching through agenda packages for their City Council meetings.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F17. Brisbane’s five-year general fund operating forecast is not accessible to the public through its public website.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.
F18. Neither East Palo Alto, Millbrae, nor Portola Valley has a general fund operating forecast that extends beyond the fiscal years covered in its most recent annual or bi-annual budget.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F19. Each of Belmont, Colma, Foster City, Menlo Park, Portola Valley, Redwood City, San Carlos and San Mateo has made, or currently has a specific plan to make, additional pension contribution payments to CalPERS beyond its Annual Required Contribution.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F20. Neither Atherton, Brisbane, Burlingame, Daly City, East Palo Alto, Half Moon Bay, Hillsborough, Millbrae, Pacifica, Portola Valley, San Bruno, South San Francisco nor Woodside currently has a specific plan recommended by staff to the City or Town Council (as applicable) to make additional pension contribution payments to CalPERS beyond its Annual Required Contribution.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

The City has embarked on a multi-year fiscal sustainability effort as part of our FY2019-20 budgeting process and to inform future planning. The scope of this effort includes developing an understanding of the financial pressures and constraints on the City’s General Fund – today and into the foreseeable future. A key component of this effort will be to develop recommendation and solutions to address rising pension costs for our employees.

F21. Each of Brisbane, Burlingame, Colma, Daly City, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Pacifica, Portola Valley, Redwood City, San Carlos, South San Francisco and Woodside has set aside internal reserves, or contributed funds to a Section 115 trust, specifically for the purpose of paying future pension contribution costs.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F22. Neither Atherton, Belmont, East Palo Alto, Millbrae, San Bruno, nor San Mateo currently has a specific plan recommended by staff to the City or Town Council (as
applicable) to set aside internal reserves, or to contribute funds to a Section 115 trust, specifically for the purpose of paying future pension contribution costs.

Response:
The City of San Bruno partially agrees. The City has embarked on a multi-year fiscal sustainability effort as part of our FY2019-20 budgeting process and to inform future planning. The scope of this effort includes developing an understanding of the financial pressures and constraints on the City’s General Fund – today and into the foreseeable future. A key component of this effort will be to develop recommendation and solutions to address rising pension costs for our employees.

F23. Each of Atherton, Belmont, Burlingame, Foster City, Hillsborough, Menlo Park, Millbrae, Pacifica, Redwood City, San Mateo and South San Francisco has, or currently intends to seek, one or more cost-sharing agreements with employees under which employees pay for a portion of the City’s Normal Cost pension payment obligations to CalPERS.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F24. Neither Brisbane, Colma, Daly City, East Palo Alto, Half Moon Bay, Portola Valley, San Bruno, San Carlos nor Woodside has, or currently intends to seek, one or more cost-sharing agreements with employees under which employees pay for a portion of the City’s Normal Cost pension payment obligations to CalPERS.

Response:
The City of San Bruno strives to negotiate contracts with labor unions that balance the myriad of cost and operational issues related to personnel employment. The collective bargaining process is one that is confidential and must be conducted in good-faith. The City of San Bruno takes no position on this finding.

F25. Each of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Redwood City and South San Francisco have, since November 2016, sought and obtained voter approval for ballot measures intended to increase revenues.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

F26. Each of Half Moon Bay, Pacifica, Redwood City, and San Bruno are currently considering seeking approval of their voters for revenue enhancement measures in the near term.

Response:
The City of San Bruno agrees. On July 9, 2019, the San Bruno City Council adopted the resolution, and on July 23, 2019, the City Council adopted the ordinance to place a ½ cent general sales tax revenue measure on the November 2019 ballot that is anticipated to generate approximately $4,000,000 annually into the City’s General Fund. While the tax measure isn’t
targeted to address pension and personnel costs, should it be adopted by voters it may be used for any municipal governmental purpose, such as pothole/street repair, neighborhood police patrols, fire prevention services, urban wildfire protection, crime suppression/investigation, increasing parking supply, upgrading parks and other City facilities, expanding services to support local businesses, and other governmental functions and services.

F27. Neither Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Hillsborough, Menlo Park, Millbrae, Portola Valley, San Carlos, San Mateo, South San Francisco, nor Woodside is currently considering seeking approval of its voters for revenue enhancement measures in the near term.

Response:
The City of San Bruno does not have sufficient information to agree or disagree with this finding, as it does not relate to the City of San Bruno.

Responses to Grand Jury Recommendations:

R1. Each City include in its published annual or bi-annual budgets a general fund operating budget forecast for the next ten fiscal years.

Response:
The City has partially implemented this recommendation. As discussed in the City’s response to Finding #12, the City of San Bruno has implemented a 5-year financial forecast for the General Fund, Enterprise Funds and the Capital Improvement Program in the City Council adopted FY2019-20 budget. Being that the City has not historically forecasted revenues, expenditures and ending fund balances in the General and Enterprise Funds beyond the proposed budget year in prior budget processes, the City developed a methodology to conduct a 5-year financial forecast and plan during the FY2019-20 budget process. During the FY2019-20 operating year, City staff will monitor actual revenues and expenditures compared to the budget and financial forecast assumptions and methodology to adjust and confirm the processes. Beyond the 5-year financial time horizon, revenue and expenditure assumptions related to economic factors become less reliable and predictable. At this time, the City plans to continue implementing the 5-year financial forecast in the upcoming FY2020-21 budget cycle in order to improve the financial forecast methodology and may consider expanding the financial forecast period to a 10-year term at a later time.

R1. Each City include a report in its published annual or bi-annual budgets specifically setting forth the dollar amounts of its annual pension costs paid to CalPERS. The report should include the following:
   a. The City’s total pension contribution costs under all plans, for each of the three preceding fiscal years as well as estimates for such costs in each of the following ten fiscal years (whether developed by City staff internally, or by outside consultants to the City), assuming CalPERS’ actuarial assumptions are met.
   b. The City’s total Unfunded Liabilities under all plans, for each of the three preceding fiscal years as well as estimates for such Unfunded Liabilities in each of the next ten fiscal years, (whether developed by City staff internally, or by
outside consultants to the City), assuming CalPERS’ actuarial assumptions are met.

c. The City’s Funded Percentage across all plans, for each of the three preceding fiscal years as well as estimates for such Funded Percentages in each of the next ten fiscal years, assuming CalPERS’ actuarial assumptions are met.

d. The percentage of the City’s general fund expenditures, and the percentage of the City’s covered payroll, represented by the pension costs described in (a) above (using estimates of general fund expenditures in future fiscal years).

Response:
The City has partially implemented this recommendation. As discussed in the City’s response to Finding #12 and Recommendation #1, the City of San Bruno has implemented a 5-year financial forecast for the General Fund, Enterprise Funds and the Capital Improvement Program in the City Council adopted FY2019-20 budget, which includes projections for total pension contribution costs, Unfunded Liabilities, funded percentages across all plans and the percentage of the City’s General Fund expenditures and payroll represented by pension costs. At this time, the City plans to continue implementing the 5-year financial forecast in the upcoming FY2020-21 budget cycle in order to improve the financial forecast methodology and will include these pension-related metrics. At a later time, the City may consider expanding the financial forecast period to a 10-year term, at which time these pension-related metrics will be included in the expanded financial forecast.

In summary, the City of San Bruno is focused on many fiscal sustainability initiatives currently and in the years to come. Addressing the City’s pension costs and liabilities is a priority that staff and the City Council will continue to address in the coming years. If you require any additional information or have any additional questions, please contact the City’s Finance Director, Keith DeMartini, at 650-616-7054 or kdemartini@sanbruno.ca.gov.

Sincerely,

Rico E. Medina
Mayor
July 29, 2019

City Council  
City of San Bruno  
567 El Camino Real  
San Bruno, CA 94066  


Dear Councilmembers:

The 2018-2019 Grand Jury filed a report on July 29, 2019 which contains findings and recommendations pertaining to your agency. Your agency must submit comments, within 90 days, to the Hon. Donald J. Ayoob. Your agency’s response is due no later than October 28, 2019. Please note that the response should indicate that it was approved by your governing body at a public meeting.

For all findings, your responding agency shall indicate one of the following:

1. The respondent agrees with the finding.

2. The respondent disagrees wholly or partially with the finding, in which case the response shall specify the portion of the finding that is disputed and shall include an explanation of the reasons therefore.

Additionally, as to each Grand Jury recommendation, your responding agency shall report one of the following actions:

1. The recommendation has been implemented, with a summary regarding the implemented action.

2. The recommendation has not yet been implemented, but will be implemented in the future, with a time frame for implementation.

3. The recommendation requires further analysis, with an explanation and the scope and parameters of an analysis or study, and a time frame for the matter to be prepared for discussion by the officer or director of the agency or department being investigated or reviewed, including the governing body of the public agency when applicable. This time frame shall not exceed six months from the date of publication of the Grand Jury report.

4. The recommendation will not be implemented because it is not warranted or reasonable, with an explanation therefore.
Please submit your responses in all of the following ways:

1. Responses to be placed on file with the Clerk of the Court by the Court Executive Office.
   - Prepare original on your agency’s letterhead, indicate the date of the public meeting that your governing body approved the response address and mail to Judge Ayoob.

   Hon. Donald J. Ayoob  
   Judge of the Superior Court  
   c/o Charlene Kresevich  
   Hall of Justice  
   400 County Center; 2nd Floor  
   Redwood City, CA 94063-1655.

2. Responses to be placed at the Grand Jury website.
   - Copy response and send by e-mail to: grandjury@sanmateocourt.org. (Insert agency name if it is not indicated at the top of your response.)

3. Responses to be placed with the clerk of your agency.
   - File a copy of the response directly with the clerk of your agency. Do not send this copy to the Court.

For up to 45 days after the end of the term, the foreperson and the foreperson's designees are available to clarify the recommendations of the report. To reach the foreperson, please call the Grand Jury Clerk at (650) 261-5066.

If you have any questions regarding these procedures, please do not hesitate to contact Paul Okada, Chief Deputy County Counsel, at (650) 363-4761.

Very truly yours,

[Signature]

Neal Taniguchi  
Court Executive Officer

NT:ck  
Enclosure

cc: Hon. Donald J. Ayoob  
    Paul Okada

Information Copy: City Manager
SOARING CITY PENSION COSTS – FOLLOW-UP ON GRAND JURY REPORT OF 2017-2018
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ISSUE

One year after the Grand Jury’s 2017-2018 report on soaring pension costs, what are San Mateo County’s cities doing to manage them and to make better information available to the public about the impact of pension costs on long-term financial plans?

SUMMARY


In the current report, the 2018-19 Grand Jury updates financial data on pensions for each city in San Mateo County, including the data in Appendix A relating to their pension costs during the four-year period from FY 2014-15 through FY 2017-18. The Grand Jury also reports on the steps, if any, currently being taken by each city to reduce, otherwise better manage, and/or plan for their long-term pension costs. It identifies whether the cities have implemented the Grand Jury’s recommendation in the prior report that they develop long-term financial plans to address their pension liabilities and publish readily-accessible information on their websites about future pension costs and their long-term financial plans.

The 2018-19 Grand Jury finds that while projected pension cost information can now be found on the websites of almost all of the 20 cities, only a few include that information in their annual budgets. As a result, members of the public who may be interested in these data are forced to hunt for them through manual searches of those cities’ numerous online city council meeting agenda packages looking for references to pensions. While the Grand Jury finds it commendable that almost half of the 20 cities now publish ten-year instead of five-year financial forecasts (and some of these cities only started generating ten-year forecasts this year), a minority of these cities still choose not to include these forecasts in their annual budgets. As a result, persons wishing to understand those cities’ long-term pension situations must search through online city council agenda packages to find forecasts. Some cities with five-year forecasts also do not include them in their annual budgets. (For specifics on city financial forecasts, see Appendix B.)

The Grand Jury is persuaded that, in the interests of transparency, all of the cities should make it easy for their residents to see what their city’s projected pension costs are over at least a ten year period, together with a ten-year general fund financial forecast so that the public can compare these rising pension costs against their city’s overall financial situation. In order to make that information readily-accessible to the public, the Grand Jury recommends that this information be set forth in the cities’ annual budgets, making it unnecessary for the public to search through council meeting agendas looking for it.
BACKGROUND

The 2017-18 San Mateo County Civil Grand Jury issued a report in June 2018 entitled “Soaring City Pension Costs – Time for Hard Choices.” The report received substantial press coverage,¹ and the 2018-19 Grand Jury decided to update the financial data in the report and conduct a follow-up investigation to identify what progress has been made to address the issues raised in the prior report.

The 2017-18 report provided a detailed analysis of the local government employee pension system and the factors affecting its financial health. It provided key statistics on the recent (FY 2014-15 through FY 2016-17) and projected future pension costs of each city in San Mateo County (each referred to here as a “City” and collectively as the “Cities”). The report found that most Cities’ pension costs would likely double within the next seven to ten years, posing a serious threat to their ability to continue to deliver public services at current levels. The report outlined the alternatives available to meet these costs and recommended that the Cities develop long-term financial plans for how to address the coming crisis of pension payments. Analyses in the 2017-18 report are not repeated in this new report and the reader is encouraged to read the prior report first, in order to fully understand this update. A brief summary of the report’s key findings follows.

Each City provides its employees with a defined-benefit pension plan² administered by the California Public Employees Retirement System (“CalPERS”). These plans are funded by Normal Cost³ contributions⁴ to CalPERS from both the Cities and the employees themselves. CalPERS, in turn, invests these contributions in a portfolio of assets. CalPERS relies on a Return on Investment⁵ (ROI) from this portfolio for about 61 percent of the funds needed to pay the pension benefits promised to retired City employees. CalPERS’ current ROI expectation over the long-term is an annual return of seven percent.⁶

In the event that the projected cost of benefits increases unexpectedly, or CalPERS’ ROI falls short of projections, the pension plans will have Unfunded Liabilities.⁷ The Cities, rather than CalPERS, are responsible for paying off Unfunded Liabilities through payments to CalPERS of their Amortization Cost⁸ of principal and interest on the Unfunded Liabilities. Both Normal Cost and Amortization Cost contributions are legal obligations that the Cities have to CalPERS and are not discretionary spending.

¹ Bradshaw, Kate, “Grand jury urges county cities to prepare for crushing pension costs,” The Almanac, July 31, 2018.
³ Defined pension benefit plans are described on page 4 of the prior report.
⁴ “Normal Cost” is defined on page 3 of the prior report.
⁵ “Contributions” as used in this report and in the prior report refer to contributions to CalPERS of pension costs, including both Normal Costs and Amortization Costs.
⁶ “Unfunded Liability” is defined on page 4 of the prior report.
⁷ “Amortization Cost” is defined on page 2 of the prior report.
Due in large part to unduly optimistic assumptions CalPERS made in the past about long-term rates of return it could achieve, almost all of the Cities have large Unfunded Liabilities, with an average Funded Percentage\(^9\) of just 70.5 percent in FY 2016-17, well below the 80 percent “at risk” threshold.\(^10\) Further, average annual pension payments by the Cities were projected to increase by 92.6 percent between FY 2017-18 and FY 2024-25. According to some financial experts, CalPERS’ assumptions about ROI appear to remain optimistic, implying that future pension liabilities may be even larger than currently projected.\(^11\)

The 2017-18 Grand Jury recommended that Cities develop long-term financial plans to address their pension liabilities and publish readily-accessible information on their websites about future pension costs and their long-term financial plans. The Grand Jury did not recommend specific actions the Cities should take to plan for meeting their pension obligations but did outline a number of alternatives. Broadly, these fall into three categories: (1) reducing future pension payments to CalPERS by paying down the Unfunded Liabilities early, thereby saving interest costs; (2) managing future pension payments to CalPERS by methods such as contributions to a reserve, negotiating cost-sharing arrangements with employees, and keeping employee salary increases within the rate assumed by CalPERS; and (3) adapting to future pension payment increases by reducing municipal operating costs and/or seeking revenue enhancements.

**DISCUSSION**

**Updated Pension Data from Cities’ FY 2017-18 Financial Reports**

Appendix A to this report is an updated version of the Appendix A attached to the prior report. The updated Appendix A incorporates pension cost data from each City for FY 2017-18, the most recent year for which annual financial reports (usually referred to in this report as “CAFRs” for “Comprehensive Annual Financial Report”)\(^12\) from the Cities are available. This updated Appendix A provides data from each of the 20 Cities for the four-year period from FY 2014-15 through FY 2017-18.

Data for FY 2017-18 in Appendix A show continued increases in (i) the Cities’ pension contribution costs, averaging an increase of 15.2 percent over FY 2016-17, and (ii) the amount of the Cities’ Unfunded Liabilities, averaging an increase of 14.2 percent over FY 2016-17. These increases are generally consistent with projections described in the prior report.

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\(^9\) “Funded Percentage” is defined on page 3 of the prior report.

\(^10\) See discussion in prior report of “at risk” threshold (page 16).

\(^11\) See discussion of expert concerns that CalPERS’ return on investment projections may be too optimistic at pages 8-9 of the prior report.

\(^12\) The term “CAFR” is used in this report to refer, not only to “Comprehensive Annual Financial Reports,” but also to “Basic Financial Statements” and “Annual Financial Reports.” The audited annual financial reports for the Towns of Atherton, Colma, Portola Valley, and Woodside are referred to by them as either “Basic Financial Statements” or “Annual Financial Reports.”
The 2018-19 Grand Jury hopes that the data in this updated Appendix A can serve as a reference for members of the public who wish to understand the pension costs being paid by their City, without having to sift through financial reports, operating budgets and city council agenda packages online to find and assemble the data themselves. It also serves as a helpful basis for comparing each City’s pension cost situation against other Cities.

Reports on Steps Taken by Each City to Address Pension Costs and Enhance the Availability of Public Information About Pension Costs

Set forth below as to each City is (1) additional information summarizing its projected, future pension costs (see, “Pension Contribution Costs”), (2) a brief overview of its financial condition (see, “Financial Overview”), (3) a summary of its available general fund reserves that might in the future help to absorb fiscal strains from rising costs or slowing revenue growth (see, “General Fund Reserves”), (4) specific actions that it might consider in order to better meet its future pension obligations (see, “Additional Payments to CalPERS,” “Pension Reserve Fund,” “Employee Contribution to City’s Normal Cost,” “Revenue Enhancement,” and “Pension Obligation Bonds”), and (5) the extent to which the City has and makes accessible to the public information about its projected pension costs (“Pension Contribution Costs”) and projected financial forecasts (“Long-Term Financial Forecast”). Some of this information is also summarized in Appendix B to this report in order to facilitate a side-by-side comparison of the Cities.

The reports on individual Cities show that seven Cities\(^{13}\) are making, or plan to make, additional payments to CalPERS beyond their Annual Required Contribution\(^{14}\) in order to reduce their total pension payments. Cities taking steps to better manage rising pension costs include (1) fourteen Cities that have established, or are currently planning to establish and fund, special funds/reserves to help buffer the impact of future increases in pension obligations and/or shortfalls in projected revenues, whether as a result of a recession, natural disaster, or otherwise,\(^{15}\) (2) eleven Cities have reduced, or are planning to reduce, the pension costs they would otherwise owe through cost-sharing agreements with their employees under which those employees pay a portion of the Cities’ pension costs,\(^{16}\) nine Cities have since 2016 have sought and obtained voter approval for ballot

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\(^{13}\) The Cities are Belmont, Colma, Foster City, Menlo Park, Redwood City, San Carlos, and San Mateo. (See, discussions of those specific Cities in sections for each of them below entitled “Additional Payments to CalPERS” and also Appendix B.)

\(^{14}\) Annual Required Contribution (ARC) means the sum of a municipality’s share of Normal Cost and, if any, the Amortization Cost. ARC is the amount an agency is legally required to pay to the plan administrator in order to fund a pension plan. See, Brainard, Keith and Brown, Alex, The Annual Required Contribution Experience of State Retirement Plans, FY01 to FY13, National Association of State Retirement Administrators, March 2015, p. 2, <https://www.nasra.org/files/JointPublications/NASRA_ARC_Spotlight.pdf>.

\(^{15}\) The Cities are Brisbane, Burlingame, Colma, Daly City, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Pacifica, Portola Valley, Redwood City, San Carlos, South San Francisco and Woodside. (See, discussions of those specific Cities in sections for each of them below entitled “Pension Reserve Fund” and also Appendix B.)

\(^{16}\) The Cities are Atherton, Belmont, Burlingame, Foster City, Hillsborough, Menlo Park, Millbrae, Pacifica, Redwood City, San Mateo and South San Francisco. (See, discussions of those specific Cities in sections for each of them below entitled “Employee Contribution to City’s Normal Cost” and also Appendix B.)
measures intended to increase revenues,\textsuperscript{17} and four Cities are concurrently considering seeking approval of their voters for revenue enhancement measures in the near term.\textsuperscript{18}

Two Cities have not yet put in place either (a) a plan to make additional payments to CalPERS beyond their Annual Required Contribution in the near term in order to reduce their long-term pension costs, (b) a plan to set aside money in a separate fund/reserve to help pay future pension costs, or (c) long-term general fund financial forecasts to help in budget planning.\textsuperscript{19} One additional City also does not currently make long-term general fund financial forecasts.\textsuperscript{20}

Of the seventeen\textsuperscript{21} Cities that prepare long-term general fund financial forecasts of at least five years, six\textsuperscript{22} do not publish those forecasts in their readily-accessible annual budgets or annual financial statements, requiring members of the public who are looking for long-term forecasts to manually search through City Council meeting agendas online looking for reports that contain such data, and eight\textsuperscript{23} only prepare five-year forecasts rather than the ten-year forecasts recommended by the Grand Jury.

While all but three\textsuperscript{24} of the Cities have either generated, or retained consultants to generate for them, long-term projections of their future pension costs, only five of them\textsuperscript{25} publish those forecasted pension costs in their readily-accessible annual budget or financial reports, requiring members of the public who are looking for such projections to manually search through City Council meeting agendas online looking for reports that contain such data.

\textsuperscript{17} The Cities are Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Redwood City, and South San Francisco. (See, discussions of those specific Cities in sections for each of them below entitled “Revenue Enhancement” and also Appendix B.)

\textsuperscript{18} The Cities are Half Moon Bay, Pacifica, Redwood City and San Bruno. (See, discussions of those specific Cities in sections for each of them below entitled “Revenue Enhancement” and also Appendix B.)

\textsuperscript{19} The Cities are East Palo Alto and Millbrae. (See, discussions of those specific Cities in sections for each of them below entitled “Additional Payments to CalPERS,” “Pension Reserve Fund,” “Long-Term Financial Forecast” and also Appendix B.) However, East Palo Alto’s City Council has instructed staff to prepare a long-term, general fund operating plan going out to the end of FY 2025-26 and staff is in the process of preparing such a plan. Staff’s objective is to complete such a plan by October 2019. (See, section on East Palo Alto’s “Long-Term Financial Forecast” below.) Millbrae also reports that it is in the process of developing a ten-year general fund financial forecast and expects to have one sometime in FY 2019-20. (See, section on Millbrae’s “Long-Term Financial Forecast” below.)

\textsuperscript{20} This City is Portola Valley. (See, section on Portola Valley’s “Long-Term Financial Forecast” below.)

\textsuperscript{21} The Cities are Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Pacifica, Redwood City, San Bruno, San Carlos, San Mateo, South San Francisco and Woodside. (See, sections on these Cities’ “Long-Term Financial Forecast” below.)

\textsuperscript{22} The Cities are Atherton, Brisbane, Burlingame, Daly City, Pacifica, and South San Francisco. (See, sections on these Cities’ “Long-Term Financial Forecast” below.)

\textsuperscript{23} These Cities are Atherton, Belmont, Brisbane, Burlingame, Foster City, Half Moon Bay, San Bruno and San Carlos. (See, sections on these Cities’ “Long-Term Financial Forecast” below.)

\textsuperscript{24} These Cities are Atherton, Brisbane, and Portola Valley. (See, sections on these Cities’ “Pension Contribution Costs” below.)

\textsuperscript{25} These Cities are Colma, Daly City, Foster City, Hillsborough, and Redwood City. (See, sections on these Cities’ “Pension Contribution Costs” below.)
Finally, the Grand Jury commends the following Cities for the actions to increase transparency and/or reduce long-term pension contribution costs described below:

- Colma, Daly City, Foster City, Hillsborough for their decisions to incorporate pension contribution cost projections in their most recent annual budgets. They had not included such projections in their prior budgets.26

- Redwood City and Woodside for their decisions to extend their general fund forecast periods from five years to ten years.27

- Redwood City for recently adding a “Fiscal Update” page to its public website (www.redwoodcity.org/fiscalupdate) that the Grand Jury finds to quite helpful to access key information about Redwood City’s most recent budget.28

- Foster City for the unusual depth of information and analysis provided in the five-year general fund operating forecast contained in its most recent FY 2019-20 budget.29

- Belmont, Colma, Foster City, Menlo Park, Portola Valley, Redwood City, San Carlos, and San Mateo, for having made, or currently having specific plans to make, additional pension contribution payments to CalPERS beyond their Annual Required Contribution, thus actually reducing their long-term pension contribution costs.30

**Atherton**

**Pension Contribution Costs - Atherton**

Atherton’s pension contribution costs in FY 2017-18 were $1.29 million (up from $1.16 million in FY 2016-17).31 The Town’s FY 2017-18 pension contribution costs represented 27.7 percent of that year’s covered payroll32 (up from 26.7 percent the preceding year) and 10.7 percent of its total general fund spending (up from 10.1 percent the preceding year).33

The Town projects its pension contribution costs will increase above FY 2017-18 by $1.86 million (144.1 percent) to $3.15 million by FY 2023-24.34 The Town does not have any projections beyond FY 2023-24.35

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26 See, sections on these Cities’ “Pension Contribution Costs” and Appendix B below.
27 See, sections on these Cities’ “Long-Term Financial Forecast” and Appendix B below.
28 See, sections on Redwood City’s “Long-Term Financial Forecast” and Appendix B below.
29 Foster City, Preliminary Budget for Fiscal Year 2019-2020, pp. 55-94.
30 See, sections on these Cities’ “Additional Payments to CalPERS” and Appendix B below.
31 Appendix A.
32 “Covered payroll” refers to pay received by those employees who participate in a City’s CalPERS pension plan.
33 Appendix A.
34 Email from Atherton, dated June 20, 2019.
35 Grand Jury interview.
Financial Overview – Atherton

Atherton describes its fiscal condition as “positive.”36 It had general fund surpluses of $3.87 million and $4.58 million in each of FY 2016-17 and FY 2017-18, respectively.37 It projects that it will accrue another $22.93 million in surpluses during the six-year period from FY 2018-19 through FY 2023-24,38 which represents an annual average surplus of $3.82 million.

Per its reserve policies, Atherton maintains general fund reserves equal to 15 percent of its general fund expenditures for emergency contingencies and additional 20 percent of expenditures for budget stabilization.39

Through the end of FY 2017-18, Atherton accumulated an unassigned general fund balance of $14.86 million,40 which the Town projects will grow to $18.49 million by the end of FY 2019-20.41 Atherton plans to invest this unassigned balance on a new Civic Center.42

Additional Payments to CalPERS - Atherton

Atherton does not currently have plans to make additional payments to CalPERS beyond its Annual Required Contribution. It re-evaluates this option each year when it reviews its annual June 30 CalPERS actuarial valuation reports.43

Pension Reserve Fund - Atherton

Atherton approved setting up a Section 115 Trust for future pension costs in November 2018 but has not funded the trust. The Town has no plan to fund the trust in FY 2019-20. It expects to re-evaluate its decision not to fund the trust each year when it reviews its annual June 30 CalPERS actuarial valuation reports.44

Employee Contribution to City’s Normal Cost - Atherton

Prior to FY 2012-13, Atherton paid 100 percent of its employees’ pension contribution costs. That year, in order to reduce expenses, it negotiated a change with employees under which the Town stopped funding any portion of its employees’ pension costs.45

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36 Atherton, Staff Report for City Council Meeting on June 5, 2019 re: Review of the FY 2019/20 Town Budget, p. 2.
38 Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, pp. 4-6.
39 See, section below entitled “General Fund Reserves – Atherton.”
41 Atherton, Staff Report for City Council Meeting on June 5, 2019 re: Review of the FY 2019/20 Town Budget, General Fund 101 Revenue & Expenditures Summary, p. 20.
42 Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, p. 7.
43 Grand Jury interview.
44 Ibid.
45 Ibid.
In FY 2018-19, Atherton entered into an agreement with employees under which employees agreed to pay a portion of the Town’s pension contribution costs (one percent of salary for employees under Miscellaneous plans and three percent of salary for employees under Safety plans).46

Revenue Enhancement - Atherton

Since 2016 Atherton has not put any ballot initiatives before its voters for the purpose of revenue enhancement and it does not currently have plans to do so in the future.47

Pension Obligation Bonds - Atherton

Atherton does not have any outstanding pension obligation bonds.48

General Fund Reserves - Atherton

Atherton’s unassigned general fund balance at the end of FY 2017-18 was $14.86 million, representing 123.1 percent of general fund expenditures of $12.07 million that year,49 far in excess of its policy minimum of 20 percent of such expenditures.50 The Town projects that its unassigned general fund balance will grow to $15.58 million in FY 2018-1951 (representing 110.6 percent of general fund expenditures of $14.09 million)52 and to $18.49 million in FY 2019-20 (representing 126.7 percent of general fund expenditures).53 The Town expects to spend its unallocated general fund balance on a capital improvement project for a new Civic Center,54 which it describes as its “biggest capital project in recent memory.”55

In addition to its unassigned general fund balance, Atherton’s policy is to set aside another 15 percent of total general fund operating expenses for emergency contingencies.56 At the end of FY 2017-18, the Town had committed $1.81 million to this reserve57 (representing 15 percent of its $12.07 million in expenditures58). Per the 15 percent policy, this

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46 Ibid.
47 Ibid.
48 Ibid.
50 Ibid., p. 58.
51 Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, p. 2.
52 Atherton, Fiscal Year 2018/19 Operating & Capital Improvement Budget, General Fund 101 Revenue & Expenditures Summary, p. 35.
54 Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, p. 7.
56 Ibid., p. 58.
57 Ibid., p. 58.
emergency contingency reserve is projected to increase to $2.11 million at the end of FY 2018-19\textsuperscript{59} and to $2.19 million at the end of FY 2019-20.\textsuperscript{60}

Atherton has also established a policy to have a “budget stabilization reserve” equal to 20 percent of general fund expenditures. This too is in addition to the unassigned general fund budget. Per this 20 percent policy, the budget stabilization reserve is projected to hold $2.82 million at the end of FY 2018-19\textsuperscript{61} and $2.92 million at the end of FY 2019-20.\textsuperscript{62}

Long-Term Financial Forecast – Atherton

Atherton has a long-term general fund financial forecast covering the five years from FY 2019-20 through FY 2023-24.\textsuperscript{63} The forecast is not included in the Town’s FY 2017-18 CAFR or its FY 2018-19 budget\textsuperscript{64} In order to find Atherton’s long-term financial forecast online, it is necessary to manually search online City Council agendas at www.ci.atherton.ca.us/Archive.aspx?AMID=41 (last accessed on May 29, 2019). That search will eventually lead to the agenda for the City Council’s meeting on March 6, 2019\textsuperscript{65} which includes a link entitled “2. FY 2019/20 Budget Kick-Off and Overview.” That link leads to a staff report for the March 6, 2019 meeting that includes the Town’s five-year long-term financial forecast.\textsuperscript{66}

Belmont

Pension Contribution Costs – Belmont

Belmont’s pension contribution costs in FY 2017-18 were $3.93 million, up $0.345 million (9.6 percent) from $3.58 million in FY 2016-17.\textsuperscript{67} The City’s FY 2017-18 pension contribution costs represented 24.9 percent of that year’s covered payroll (up from 23.6 percent the preceding year) and 20.2 percent of its total general fund spending (up from 19.5 percent the preceding year).\textsuperscript{68}

The City’s actuarial consultant – GovInvest - projects that Belmont’s pension contribution costs will increase above FY 2017-18 costs by $1.43 million (36.4 percent) to $5.36

\textsuperscript{59} Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, p. 2.
\textsuperscript{60} Atherton, Staff Report for City Council Meeting on June 5, 2019 re: Review of the FY 2019/20 Town Budget, p. 20.
\textsuperscript{61} Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, p. 2.
\textsuperscript{62} Atherton, Staff Report for City Council Meeting on June 5, 2019 re: Review of the FY 2019/20 Town Budget, p. 20.
\textsuperscript{63} Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, pp. 4-6.
\textsuperscript{64} Atherton, Basic Financial Statements for the Year Ended June 30, 2018. Atherton, Fiscal Year 2018/19 Operating & Capital Improvement Budget.
\textsuperscript{65} The March 6, 2019 City Council meeting agenda may be found at www.ci.atherton.ca.us/Archive.aspx?AMID=3112 (Last accessed May 29, 2019.)
\textsuperscript{66} Atherton, Staff Report for City Council Meeting on March 6, 2019 re: FY 2019/20 Budget Kick-Off and Overview, pp. 4-6.
\textsuperscript{67} Appendix A.
\textsuperscript{68} Ibid.
million by FY 2023-24 and by an additional $0.643 million (12 percent) to $6 million by FY 2027-28.69

Belmont’s projected, annual pension contribution costs are not included in its published FY 2018-19 budget, or its FY 2019-20 budget.70 In order to find these projected costs online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: https://www.belmont.gov/our-city/city-government/meetings-agendas-minutes. (Last accessed on May 11, 2019.) That search would eventually lead to the June 12, 2018 agenda for a meeting of the Belmont City Council71 which refers to a discussion of “CalPERS Unfunded Accrued Liability (UAL) Funding Options” and provides a link to a June 12, 2018 GovInvest presentation, which includes a graph showing contribution projections through FY 2048-49 on page 5.72

Financial Overview – Belmont

Belmont reports that it was in a financial “survival mode” following the 2008 recession, but that its finances have now “steadied ... at least in the near-term.”73 In addition to “massive exposure from deferring infrastructure improvements,”74 the City states that its financial health is currently subject to two additional pressures. The first is rising CalPERS pension costs and the second is “the high likelihood of experiencing a mild recession in the mid-term.”75 The City’s primary budget focus at present is funding the repair of its infrastructure.76

Additional Payments to CalPERS – Belmont

Over the six-year period from FY 2017-18 through FY 2022-23, Belmont plans to make additional payments to CalPERS beyond the Annual Required Contribution for a total of $3.65 million (approximately $0.609 million per year). The City estimates that these additional payments will result in long-term net savings of $4.67 million.77

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69 Belmont, GovInvest, City of Belmont Pension Funding Analysis dated June 12, 2018, p. 5. GovInvest’s contribution projections run through 2049.

70 Belmont FY 2019 Budget. Belmont FY 2020 Budget. Note, however, that at page 15 of the Budget Brief section of the FY 2020 Budget, the City does (1) show projected increases in the CalPERS contribution “rates” (i.e., the percentages of covered payroll represented by CalPERS pension contribution costs) and (2) state that Safety Plan and Miscellaneous Plan contribution cost increases from FY 2020 to FY 2024 were projected to be $0.034 million and $0.148 million, respectively.

71 Belmont’s June 12, 2018 City Council meeting agenda may be found at https://ca.granicus.com/GeneratedAgendaViewer.php?view_id=2&event_id=563 (Last accessed on May 11, 2019.)

72 Belmont, GovInvest, City of Belmont Pension Funding Analysis dated June 12, 2018.


76 Ibid, pp. 2 & 4-5 of FY 2019 Budget Brief.

77 Grand Jury interview. Belmont, GovInvest, City of Belmont Pension Funding Analysis dated November 27, 2018, p. 8. Net savings are the result of subtracting total additional payments of $3.65 million from total (not net) savings of $8.32 million.

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Pension Reserve Fund – Belmont
Belmont does not currently have plans to establish an internal pension reserve fund, nor a Section 115 Trust. Instead, it has decided to make additional payments to CalPERS beyond its Annual Required Contribution (as described above in section entitled “Additional Payments to CalPERS – Belmont”), because doing so actually reduced overall pension costs while merely setting aside funds for future payment obligations does not.  

Employee Contribution to City’s Normal Cost – Belmont
Belmont has cost-sharing agreements in place with employees in Miscellaneous Plans and Safety Plans under which those employees pay a portion of the City’s pension costs.  

Revenue Enhancement – Belmont
Belmont residents approved a one-half cent sales tax in November 2016 (Measure I), which was projected to generate approximately $1.3 million per year initially. Measure I revenues are all allocated to infrastructure projects. In November, 2018 Belmont residents approved Measure KK, which increased the City’s transient occupancy tax (“Hotel tax”) rate from ten percent to twelve percent. Measure KK is projected to bring in an additional $0.560 million in unrestricted general fund revenues annually. The City Council has adopted “Top Priorities” as part of its FY 2020 Strategic Planning effort, which include, in part, the following: “Secure on-going funding for Sewer, Storm, Streets, Facilities and Parks to address deferred maintenance and future capital needs along with a plan to support critical public services ...”

Pension Obligation Bonds - Belmont
Belmont does not have any outstanding pension obligation bonds.

General Fund Reserves – Belmont
Belmont’s general fund unrestricted reserve as of the end of FY 2017-18 was $10.68 million, representing 54.9 percent of its $19.5 million in general fund operating expenditures that year. Belmont’s policy is to maintain a minimum reserve balance of $5

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78 Section 115 Trusts are irrevocable trusts where funds are deposited for the purpose of meeting future pension obligations. They are described on page 30 of the prior report.
79 Grand Jury interview.
80 “Miscellaneous Plans” are pension plans for public service employees who do not provide safety services such as police and fire protection. Miscellaneous Plans are generally less expensive to maintain than Safety Plans. (Prior report, Glossary, p. 3.)
81 “Safety Plans” are plans for public service employees who provide safety services such as police and fire protection. (Prior report, Glossary, p. 3.)
82 Grand Jury interview.
83 Ballotpedia, Local Ballot Measures, Belmont, Californiia, Sales Tax Measure I (November 2016).
84 Grand Jury interview.
85 Email from Belmont, dated June 7, 2019.
86 Ibid.
million and it targets maintaining a balance equal to 33 percent of general fund operating expenditures.\textsuperscript{88} The City projects that the general fund unrestricted reserve will remain well above this 33 percent target throughout the FY 2019-20 through FY 2023-24 period.\textsuperscript{89}

Long-Term Financial Forecast -- Belmont
Belmont’s long-term financial forecast is based on a five-year forecast period.\textsuperscript{90} The City incorporated its long-term financial forecast into its FY 2019 and FY 2020 budgets,\textsuperscript{91} which are readily-accessible on the finance department home page of the City’s website.\textsuperscript{92}

Brisbane
Pension Contribution Costs - Brisbane
Brisbane’s pension contribution costs in FY 2017-18 were $1.91 million, up $0.193 million (11.3 percent) from $1.71 million in FY 2016-17.\textsuperscript{93} The City’s FY 2017-18 pension contribution costs represented 23.5 percent of that year’s covered payroll (up from 21.6 percent the preceding year) and 10.9 percent of its total general fund spending (down from 11.0 percent the preceding year).\textsuperscript{94}

Brisbane projects its pension contribution costs will increase from FY 2017-18 by $1.63 million (85.5 percent) to $3.54 million by FY 2023-24.\textsuperscript{95} The City has not made any pension cost projections beyond FY 2023-24.\textsuperscript{96}

In addition to its contribution payments made to CalPERS, Brisbane also makes annual, installment payments on its 2006 pension obligation bonds (originally issued in the amount of $4.75 million) and on a 2013 Pension Side Fund Bank Loan (in the original principal amount of $1.61 million).\textsuperscript{97} Brisbane paid a combined total of $0.794 million on the bonds and loan in FY 2017-18. These payments will decrease to $0.364 million in FY 2018-19. From FY 2018-19 through FY 2022-23 when the bonds and loan are fully paid off, the City will make average annual payments on the bonds and loan of approximately $0.389 million.\textsuperscript{98} Taking bond and loan payments into account, the City’s total payments on account of its pensions (CalPERS, bond and loan payments combined) were $2.7 million in

\textsuperscript{88} Belmont, FY 2019 Budget, p. 6 of FY 2019 Budget Brief and p. 3 of Appendix.
\textsuperscript{89} Email from Belmont, dated June 7, 2019. Belmont, FY 2020 Budget, p. 21 of Budget Brief; General Fund and Subsidized Funds Trends & Projections FY 2018 – FY 2024.
\textsuperscript{92} The finance department’s home page on the Belmont website may be found at https://www.belmont.gov/departments/administrative-services/finance-budget. (Last accessed on May 9, 2019.)
\textsuperscript{93} Appendix A.
\textsuperscript{94} Ibid.
\textsuperscript{95} Email from Brisbane dated May 21, 2019. Brisbane, CalPERS 2017 Public Agency Actuarial Valuation Reports for Miscellaneous First Tier, Miscellaneous Second Tier, PEPRA Miscellaneous, PEPRA Safety Fire, PEPRA Safety Police, Safety.
\textsuperscript{96} Email from Brisbane, dated June 13, 2019.
\textsuperscript{97} Brisbane, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017, pp. 53-54.
\textsuperscript{98} Ibid, pp. 53-54.
FY 2017-18 (representing 33.3 percent of that year’s covered payroll of $8.11 million and 15.4 percent of that year’s total general fund spending of $17.54 million).  

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its budget for FY 2018-19 & 2019-20. The Grand Jury’s review of Brisbane’s City Council agenda packages from January 1, 2018 through June 1, 2019 yielded no documents that set forth the City’s future, annual pension contribution costs over its five-year forecasting period. The Grand Jury obtained data on these annual costs through a direct document request made to the City.

Financial Overview – Brisbane
Brisbane notes that it has robust and growing revenues from its business base and staff is confident that projected revenues will be adequate to pay rising pension costs.

Additional Payments to CalPERS - Brisbane
Brisbane does not currently have plans to make additional payments to CalPERS beyond its Annual Required Contribution. The City’s Unfunded Liability is currently projected to be fully paid off within 20 years. The City Council has determined that it would like to have this Unfunded Liability paid off sooner, if possible. Accordingly, staff suggested in April 2019 that the City’s Administrative and Financial Policy Committee develop a policy related to the quicker funding of these liabilities over the next year.

Pension Reserve Fund - Brisbane
Brisbane has established a Section 115 Trust to help pay for any unexpected increases in its pension payment obligations. The City initially contributed $0.12 million to the trust. By the end of FY 2018-19, the City plans to have contributed an additional $0.8 million to the trust, bringing total contributions to $0.92 million. The City’s policy is to contribute 50 percent of any unanticipated general fund surpluses to this trust. Staff is bringing to the City Council a proposal to fund the trust with sufficient funds to cover two years of unfunded liability amortization costs (approximately $5 million) within the next four years and to set aside up to $1 million per year for this purpose.

Employee Contribution to City’s Normal Cost - Brisbane
Brisbane’s employees do not pay any portion of the City’s pension costs.

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99 Appendix A.
100 Grand Jury interview.
101 Email from Brisbane, dated June 13, 2019.
102 Brisbane, City Council Agenda Report for City Council Meeting on April 18, 2019 re: Mid-Year Budget Report, p. 2.
103 Grand Jury interview.
105 Email from Brisbane, dated June 13, 2019.
106 Grand Jury interview.
Revenue Enhancement - Brisbane

Brisbane voters approved two business license tax revenue enhancement measures in November 2017 (Measures D and E). As of FY 2017-18, Measure D was projected to yield annual revenues of $0.2 million and Measure E $4 million. 107 Brisbane is not currently planning on proposing any revenue enhancement ballot measures to its voters. 108

Pension Obligation Bonds and Loan - Brisbane

Brisbane issued $4.75 million in pension obligation bonds in 2006 and took a $1.61 million Pension Side Fund Bank Loan in 2013. 109 As of the end of FY 2017-18, the remaining outstanding principal on the bonds and loan, combined, was $1.73 million. 110 The bonds mature in FY 2020-21 and the loan is due to be fully paid off in FY 2022-23. From FY 2018-19 through FY 2022-23 when the bonds and loan are fully paid off, the City will make average annual payments on them of approximately $0.389 million. 111

General Fund Reserves - Brisbane

At the end of FY 2017-18, Brisbane’s general fund balance was $11.45 million, of which $8.63 million (49.2 percent of general fund expenditures for that year) represented unassigned reserves. 112 The City projects that the FY 2018-19 ending general fund balance will be $10.8 million 113 from which $3.5 million will be set aside in an “Emergency Reserve” for any sudden unanticipated expense, $3.2 million will be put in a “Recession Reserve” so that City services do not need to be “immediately reduced in case of recession,” and $2 million will be in an “Annual Reserve” for use in the event of any budget discrepancies. 114

Long-Term Financial Forecast – Brisbane

Brisbane’s long-term general fund financial forecast is based on a five-year period. It reports that it has “taken great strides in long-term financial planning” and that “[s]taff continuously works on a five-year forecast” which “provides Council and the community greater information on projects and issues that will be affecting the community in the near future.” 115 However, the Grand Jury’s review of the City’s Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, its budget for FY 2018-19 and FY 2019-20, as well as all agenda packages that the City posted on its website from

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108 Email from Brisbane, dated June 13, 2019.
110 Ibid., p. 54.
113 Brisbane, City Council Agenda Report for City Council Meeting on April 18, 2019 re: Mid-Year Budget Report, p. 2.
114 Ibid., pp. 2 & 4.
January 1, 2018 through the Grand Jury's final check on June 14, 2019\textsuperscript{116} yielded no long-term financial forecast for the City.

**Burlingame**

**Pension Contribution Costs - Burlingame**

Burlingame’s pension contribution costs in FY 2017-18 were $5.72 million, up $0.424 million (8.0 percent) from $5.29 million in FY 2016-17.\textsuperscript{117} The City’s FY 2017-18 pension contribution costs represented 27.8 percent of that year’s covered payroll (up from 26.8 percent the preceding year) and 10.7 percent of its total general fund spending (flat from the 10.7 percent the preceding year).\textsuperscript{118}

In addition to its contribution payments made to CalPERS, the City also makes annual installment payments on its 2006 pension obligation bonds (originally issued in the amount of $33 million).\textsuperscript{119} It paid $3.85 million on the bonds in FY 2017-18\textsuperscript{120} and will pay $0.957 million in FY 2018-19.\textsuperscript{121} From FY 2019-20 through FY 2035-36 when the bonds are fully paid off, the City will have made total payments on the bonds of $12.6 million, with an annual average of approximately $0.741 million.\textsuperscript{122} Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) were $9.56 million in FY 2017-18 (representing 46.4 percent of that year’s covered payroll of $20.6 million and 17.8 percent of total general fund spending of $53.6 million), up $0.535 million (5.9 percent) from $9.03 million in FY 2016-17.\textsuperscript{123} It should be noted, however, that the City’s annual bond payment amount dropped by almost $3 million in FY 2018-19.\textsuperscript{124}

Burlingame projects that its pension contribution costs will increase from FY 2017-18 by $5.03 million (87.9 percent) to $10.74 million by FY 2023-24 and by an additional $2.57 million (23.9 percent) to $13.32 million by FY 2027-28.\textsuperscript{125} Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) will increase from FY 2017-18 by $2.25 million (23.5 percent) to $11.81 million.

\textsuperscript{116} Brisbane City Council meeting agenda packages can be accessed at [https://brisbanecpa.org/city-government/meetings?field_meeting_type_value=cc](https://brisbanecpa.org/city-government/meetings?field_meeting_type_value=cc) (Last accessed on June 14, 2019.)

\textsuperscript{117} Appendix A.

\textsuperscript{118} Ibid.

\textsuperscript{119} Burlingame, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 69.

\textsuperscript{120} Burlingame, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, p. 81.

\textsuperscript{121} Ibid.

\textsuperscript{122} Ibid.

\textsuperscript{123} Ibid. Burlingame’s pension obligation bond repayment amount in FY 2016-17 was $3.73 million. (Burlingame, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, p. 81.)

\textsuperscript{124} Ibid.

\textsuperscript{125} Appendix A. Burlingame, Staff Report for City Council Meeting on March 13, 2019 re: Adoption of Resolution Amending the FY 2018-19 Operating and Capital Budgets to Reflect the Recommended Mid-Year Adjustments, p. 32. This report provides pension cost projections from FY 2018-19 through FY 2023-24. Bartel Associates, LLC report to City of Burlingame, January 22, 2019, pp. 28 & 46. This report provides pension cost projections from FY 2018-19 through FY 2029-30.
million by FY 2023-24 and by an additional $2.06 million (17.4 percent) to $13.87 million by FY 2027-28.126

Burlingame’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget.127 In order to find the City’s projected costs online, the Grand Jury ran a search for the word “pension” on the “Search Archives” feature of the City Council Meeting Documents & Minutes website page.128 That search would eventually lead to the agenda for a City Council Study Session on January 22, 2019129 which refers to a review of pension liabilities by the actuarial consulting firm Bartel Associates, LLC and includes a link to Bartel’s presentation materials. However, as of the Grand Jury’s last search on June 9, 2019, the Bartel presentation slides could not be accessed through that link. Instead, the Grand Jury obtained a copy of the Bartel presentation slides through a direct document request to the City. Since then, the City has made the Bartel presentation materials available through its finance page on its website at https://www.burlingame.org/Pension%20Funding%20Presentation%20-%202017-19.pdf (last accessed on June 9, 2019). The presentation can most easily be found using the City’s “Search” feature on the home page of its website (https://www.burlingame.org/) (last accessed on June 9, 2019) by typing in the word “Bartel.” Going further back, the search results would also point to a City Council meeting on July 3, 2017, which links to a Staff Report for that meeting which includes contribution cost projections through FY 2027-28.130

Financial Overview – Burlingame

Burlingame’s financial condition appears to be strong. According to the City “In the bond markets, the Burlingame name is recognized as a high-credit municipal entity given both the City’s financial strength and solid financial management.”131 Burlingame had a general fund surplus of approximately $3.5 million in FY 2018-19 (after transferring approximately $3 million to its Capital Investment Reserve).132 Looking forward to FY 2019-20, the City projects the general fund surplus will drop to approximately $0.361 million, primarily as a result of the City Council’s May 8, 2019 decision to transfer approximately $6.5 million to its Capital Investment Reserve.133 From FY 2018-19 through FY 2023-24 the City projects

128 This search feature may be found at https://www.burlingame.org/government/city_council/city_council_meeting_documents_and_minutes.php. (Last accessed on May 31, 2019.)
129 Burlingame, Agenda for City Council Meeting held on January 22, 2019.
130 Burlingame, Staff Report for City Council Meeting on July 3, 2017 re: Review of Options Available for Pre-Funding Pension Obligations, pp. 4 - 5.
131 Burlingame, Fiscal Year 2018-19 Adopted Budget, p. v of June 18, 2018 City Manager’s Transmittal Letter.
132 Burlingame, Staff Report for City Council Meeting on May 8, 2019 re: Study Session: Fiscal Year 2019-20 Budget, p. 22.
133 Emails from Burlingame, dated June 5 and June 7, 2019.
annual general fund revenue growth of 2.3 percent and an annual increase in its general fund balance (excluding amounts set aside for its Section 115 pension trust (described below)) of 1.5 percent. 134

Additional Payments to CalPERS - Burlingame
Burlingame is not currently planning on making additional payments to CalPERS beyond its Annual Required Contribution. 135

Pension Reserve Fund - Burlingame
In FY 2017-18, Burlingame established a Section 115 Trust which could be drawn upon when required pension contribution rates exceed the City’s threshold rates. 136 The trust was funded with approximately $4.8 million in FY 2017-18. 137 The City intends to transfer another $3.4 million to the trust in FY 2018-19, 138 bringing total contributions to the trust to $8.15 million. 139 This amount represents approximately 1.5 months of the City’s $6.69 million in pension costs in FY 2018-19. 140 The City plans to continue making annual contributions to the Section 115 trust until its required contribution rates for each plan exceed the threshold rate, at which point the City will begin drawing down on the trust. The City currently projects that will happen in approximately FY 2025-26. As of the end of FY 2023-24 the City projects that it will have transferred an aggregate total of $16.78 million to the trust (including the $8.15 million deposited in the trust through FY 2018-19). 141 This amount (less an $0.80 million contribution budgeted to be made in FY 2019-20 with respect to the City’s payment obligations to the Central County Fire Department) would represent approximately 148.8 percent of its $10.74 million in projected pension costs in FY 2023-24. 142

Employee Contribution to City’s Normal Cost - Burlingame
Burlingame employees have entered into cost-sharing agreements with the City under which they pay for a portion of the pension costs that would otherwise have to be paid by the City. Under these cost-sharing agreements (a) miscellaneous plan “classic” 143

134 Five-year general fund forecast received from Burlingame via email dated May 3, 2019. Email from Burlingame, dated June 5, 2019.
135 Grand Jury interview.
138 Burlingame, Fiscal Year 2018-19 Adopted Budget, p. v of June 18, 2018 City Manager’s Transmittal Letter.
139 Email from Burlingame, dated June 5, 2019.
140 Staff Report for City Council Meeting on March 13, 2019 re: Adoption of Resolution Amending the FY 2018-19 Operating and Capital Budgets to Reflect the Recommended Mid-Year Adjustments, p. 32.
141 Five-year forecast received from Burlingame via email dated May 29, 2019. Email from Burlingame, dated June 5, 2019.
142 Email from Burlingame, dated June 5, 2019.
143 “Classic” plan employees are those who joined the CalPERS pension system before January 1, 2013 and who have not had a break in service of more than six months. (CalPERS, Public Employees’ Pension Reform Act. (https://www.calpers.ca.gov/about_laws-legislation-regulations/public-employees-pension-reform-act) (Last accessed on May 31, 2019.)
employees pay a portion of the City's pension costs equal to 1.5 percent of their covered payroll, and (b) safety plan "classic" employees pay a portion of the City's pension costs equal to 4 percent of their covered payroll.\footnote{Burlingame, Staff Report for City Council Meeting on October 15, 2018 re: Update on Long-Term Unfunded Post-Employment Liabilities and Options, p. 2.}

Revenue Enhancement - Burlingame

In November 2017, residents of Burlingame approved Measure I, a one-quarter cent sales tax increase.\footnote{Ballotpedia, Local Ballot Measures, Burlingame, California, Sales Tax Measure I (November 2017).} The measure was projected by the City to yield additional annual revenues of approximately $2 million.\footnote{Burlingame, Staff Report for City Council Meeting on June 19, 2017 re: Public Hearing and Introduction of an Ordinance to Place a Revenue Measure to Enact a Quarter Cent Local Sales Tax on the November 2017 Ballot to Maintain Quality of Life Programs, p. 4.} The City is not currently planning on bringing another revenue enhancement ballot measure before its voters.\footnote{Email from Burlingame, dated June 5, 2019.}

Pension Obligation Bonds - Burlingame

Burlingame issued $33 million in pension obligation bonds in 2006. As of the end of FY 2017-18, the remaining outstanding principal on the bonds was $9 million. The bonds mature on June 1, 2036. From FY 2018-19 through FY 2035-36 when the bonds are fully paid off, the City will make average annual payments on the bonds of approximately $0.8 million.\footnote{Burlingame, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 69.}

General Fund Reserves - Burlingame

As of the end of FY 2018-19, Burlingame projects that it will have a general fund balance of $39.92 million\footnote{Five-year forecast received from Burlingame via email dated May 29, 2019.} (up from $36.37 million at the end of FY 2017-18\footnote{Burlingame, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 32.}) of which – as a result of the City’s General Fund Balance Reserve Policy adopted in FY 2014-15 establishing appropriate levels of reserves using a risk-based analysis of City’s long-term financial condition\footnote{Email from Burlingame, dated June 5, 2019.} - $18.84 million are assigned to the Economic Stability Reserve, $2 million to the Catastrophic Reserve, $0.5 million to the Contingency Reserve, $7 million to a Section 115 Trust\footnote{Note: As noted in the section above, entitled "Pension Reserve Fund – Burlingame," the Section 115 Trust will have a total of $8.15 million in contributed funds as of the end of FY 2018-19; the $7 million is just the portion attributable to the general fund.} and $11.6 million are unassigned.\footnote{Email from Burlingame via email dated May 29, 2019.} Burlingame’s FY 2018-19 general fund balance represents a healthy 68 percent of its $58.67 million of general fund operating expenditures for the year.\footnote{Email from Burlingame, dated June 5, 2019.}

By FY 2023-24, Burlingame projects that the general fund balance will increase to $48.93 million (a 22.6 percent increase from FY 2018-19’s $39.92 million) of which $21.01 million is...
million will be assigned to the Economic Stability Reserve, $2 million to the Catastrophic Reserve, $0.5 million to the Contingency Reserve, $13.5 million to the Section 115 pension trust and $11.92 million will be unassigned. The City’s FY 2023-24 general fund balance will represent 67.8 percent of its projected $72.16 million of general fund expenditures for the year.\textsuperscript{155}

**Long-Term Financial Forecast – Burlingame**

Burlingame publishes a long-term general fund operating budget forecast with a period of 5 years.\textsuperscript{156} The City did not present this forecast in its FY 2018-19 Adopted Budget.\textsuperscript{157} In order to find the forecast online, the Grand Jury used the “Search Archives” feature on the City Council Meeting Documents and Minutes page\textsuperscript{158} and searched for “five-year forecast.” This yielded a reference to the March 13, 2019 council meeting agenda package,\textsuperscript{159} which includes the forecast in a staff report for the meeting.\textsuperscript{160}

**Colma**

**Pension Contribution Costs - Colma**

Colma’s pension contribution costs in FY 2017-18 were $1.26 million, up $0.216 million (20.6 percent) from $1.045 million in FY 2016-17.\textsuperscript{161} The Town’s FY 2017-18 pension contribution costs represented 29.1 percent of that year’s covered payroll (up from 26 percent the preceding year) and 8.6 percent of its total general fund spending (up from 7.9 percent the preceding year).\textsuperscript{162}

The Town projects its pension contribution costs will increase from FY 2017-18 by $0.46 million (36.1 percent) to $1.72 million by FY 2023-24 and by an additional $0.106 million (6.2 percent) to $1.83 million by FY 2027-28.\textsuperscript{163} The Town notes that “rising pension cost continues to be the Town’s largest challenge.”\textsuperscript{164}

The Town’s projected pension contribution costs were not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget.\textsuperscript{165} However, in a change from prior budgets, Colma’s

\textsuperscript{155} Five-year general fund forecast received from Burlingame via email dated May 3, 2019.

\textsuperscript{156} Burlingame, Staff Report for City Council Meeting on March 13, 2019 re: Adoption of Resolution Amending the FY 2018-10 Operating and Capital Budgets to Reflect the Recommended Mid-Year Adjustments, p. 52.

\textsuperscript{157} Burlingame, Fiscal Year 2018-19 Adopted Budget.

\textsuperscript{158} https://www.burlingame.org/government/city_council/city_council_meeting_documents_and_minutes.php (Last accessed May 9, 2019.)

\textsuperscript{159} burlingameca.legistar1.com/burlingameca/meetings/2019/3/1452_A_City_Council_19-03-13_Meeting_Agenda.pdf (Last accessed May 9, 2019.)

\textsuperscript{160} Burlingame, Staff Report for City Council Meeting on March 13, 2019 re: Adoption of Resolution Amending the FY 2018-10 Operating and Capital Budgets to Reflect the Recommended Mid-Year Adjustments, p. 52.

\textsuperscript{161} Appendix A.

\textsuperscript{162} Ibid.

\textsuperscript{163} Colma, Staff Report for City Council Meeting on September 26, 2018 re: Unfunded Liabilities Study, Attachment B. This report contains pension cost projections through FY 2043-44.

\textsuperscript{164} Colma, Fiscal Year 2019-20 Operating and Capital Budget, p. 11.

\textsuperscript{165} Colma, FY 2018-19 Adopted Budget.
FY 2019-20 budget does include a graph showing annual pension cost projections. They run through FY 2035-36.\textsuperscript{166}

Financial Overview – Colma

Colma noted in its FY 2017-18 budget that “[r]ising costs of health care and pension rates are placing extraordinary pressure on the fiscal health of most California municipalities, including the Town of Colma” and, among other responses to this pressure, has elected to terminate its retiree health premium payments programs for all new employees hired after January 1, 2017.\textsuperscript{167} In its FY 2019-20 budget, the Town states that “rising pension cost continues to be the Town’s largest challenge.”\textsuperscript{168} Colma’s recent ten-year general fund forecast projects that, absent new revenue increases and/or expense reductions, current spending plans will turn the $4.06 million general fund operating surplus in FY 2017-18\textsuperscript{169} into an operating deficit of $5.48 million by FY 2029-30,\textsuperscript{170} and that general fund reserves will drop from $24.46 million in FY 2017-18\textsuperscript{171} to $15.23 million in FY 2023-24, to zero during FY 2027-28.\textsuperscript{172}

The ten-year forecast shows that, in order to fund all currently projected general fund expenses through FY 2029-30, the Town would need to secure an additional $14.09 million in new funding.\textsuperscript{173}

The Town’s latest forecast in the FY 2019-20 budget is immediately followed by a section entitled “Potential Options to Mitigate Insolvency.” The Town notes that “[d]ue to the projections above, the Town should consider cost containment/reduction strategies to remain financially healthy in the next ten years. To aggressively address the projected depletion of the Town’s reserve, the following cost containment/reduction and new revenue measures can be considered.”\textsuperscript{174}

One of the potential options for cost containment/reduction identified in the budget is the adoption of a “pay as you go” policy under which the Town would stop making further contributions to the trusts it had established to set aside funds out of current budget

\textsuperscript{166} Colma, Fiscal Year 2019-20 Operating and Capital Budget, p. 20.
\textsuperscript{167} Colma, FY 2017-18 Adopted Budget, p. 8.
\textsuperscript{168} Colma, FY 2019-20 Operating and Capital Budget, p. 11.
\textsuperscript{169} Ibid., p. 184.
\textsuperscript{170} Ibid., p. 180. Note: Colma provides two different versions of its ten-year general fund forecast. The first (at page 180), entitled “Status Quo,” uses the assumption that there will be an economic “slowdown” but not a “recession” (Email from Colma, dated June 14, 2019), while the second (at page 181) uses the assumption that there will be a recession beginning in FY 2020-21 with a three-year recovery period. Colma believes that the “Status Quo” projections at page 180 more closely track economists’ current sentiments than the recession projection at page 181. (Email from Colma, dated June 14, 2019.) Therefore, the Grand Jury is reporting numbers relying on the “Status Quo” projection. However, even if the recession forecast was used, the financial numbers are only slightly worse and, for purposes of this report, do not change the overall picture.
\textsuperscript{171} Colma, FY 2019-20 Operating and Capital Budget, p. 184.
\textsuperscript{172} Ibid., pp. 180.
\textsuperscript{173} Ibid., p. 180. This $14.09 million amount would be $15.61 million if one used the recession version of this forecast.
\textsuperscript{174} Ibid., p. 182.
surpluses to help pay future pension costs (see section below entitled “Pension Reserve Fund – Colma”) and future OPEB (“other post-employment benefits”) costs. The Town notes that this measure “will handicap the Town in meeting its future unfunded liabilities.”

Additional Payments to CalPERS - Colma

On October 24, 2018, Colma decided to make an additional payment to CalPERS of $1.05 million more than its Annual Required Contribution. This amount was paid to CalPERS in February 2019 and represented an additional 68.6 percent payment on top of the Annual Required Contribution of $1.53 million for FY 2018-19.

Pension Reserve Fund - Colma

On October 24, 2018, Colma also decided to transfer $1 million into its Section 115 Trust for pensions in FY 2018-19 and, from FY 2019-20 through at least FY 2042-43, to make annual contributions to the trust of the additional dollar amounts that Colma would be required to pay if CalPERS discount rate was set at 6 percent (or 6.5 percent if the City Council determined that the payment tied to 6 percent was not feasible) rather than the current 7 percent discount rate. As explained in the prior report at pages 6-8, higher discount rates result in lower payment obligations to CalPERS and lower discount rates result in higher payment obligations.

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175 Ibid., p. 182. As of June 30, 2018, the Town had an unfunded liability under its OPEB plan of $14.04 million (substantially larger than its unfunded pension liability of $10.2 million). (Staff Report for City Council Meeting on October 10, 2018 re: Unfunded Liabilities Study and Strategic Plan, p. 1.) The Town contributed $1.7 million to its OPEB trust in FY 2018-19 and has budgeted contributing another $1.61 million to the trust in FY 2019-20. (FY 2019-20 Operating and Capital Budget, p. 18.) The Town’s plan has been to continue making annual contributions to its OPEB trust through FY 2040-41, with the goal of reaching an 80 percent funded level for the OPEB plan. (Staff Report for City Council Meeting on October 10, 2018 re: Unfunded Liabilities Study and Strategic Plan, p. 3.) At present, the OPEB plan’s funded percentage is only 14 percent. (FY 2019-20 Operating and Capital Budget, p. 18.)

176 In the OPEB context “pay as you go” means paying only the minimum amount required to pay benefits that come due each year to current retirees “and funds necessary for future liability are not accumulated. That is, contributions made are for current retirees only, causing the majority of retiree health benefits liability to be considered unfunded.” (GASBhelp website at https://gasp45help.com/S(owachimsfjshow4vph02112)/term.aspx?c=94.) The phrase has essentially the same meaning in the pension plan context. (See, e.g., Heinen, Winfried. Why Time is Running Out for Pay As You Go-Based Pension Systems, http://www.genre.com/knowledge/blog/why-time-is-running-out-for-pay-as-you-go-based-pension-systems-ea.html. (Last accessed June 11, 2019.))

177 FY 2019-20 Operating and Capital Budget, p. 182.


180 Colma, Staff Report for City Council Meeting on September 26, 2018 re: Unfunded Liabilities Study, Attachment B.

Colma transferred the initial $1.0 million to the Section 115 Trust for pensions in March 2019\textsuperscript{182} and its FY 2019-20 budget calls for it to transfer an additional $0.344 to the trust based on the 6 percent discount rate.\textsuperscript{183}

As noted above in the section entitled “Financial Overview – Colma,” one of the potential cost containment/reduction options staff has identified to the City Council to help mitigate insolvency is adoption of a “pay as you go” policy for pensions, which would mean that these annual contributions to the Section 115 trust would stop, at least for a period of time.

**Employee Contribution to City’s Normal Cost - Colma**

Colma does not have any cost-sharing agreements in place with its employees under which employees agree to pay a portion of the Town’s contribution obligations.\textsuperscript{184}

**Revenue Enhancement - Colma**

In November 2018, residents of Colma approved Measure PP, which put in place a transient occupancy tax (i.e., “hotel tax”) of 12 percent.\textsuperscript{185} The Town estimates that, if a hotel is built in Colma, this tax would yield annual revenues of approximately $0.319 million.\textsuperscript{186}

Colma’s staff has stated that it “intends to review ... new revenue measures as part of the 2020-22 Strategic Plan and future study sessions with the City Council.”\textsuperscript{187}

**Pension Obligation Bonds - Colma**

Colma does not have any outstanding pension obligation bonds.\textsuperscript{188}

**General Fund Reserves - Colma**

At the end of FY 2017-18, Colma had a total general fund balance of $24.46 million (representing 166.6 percent of its $14.68 million of general fund expenditures that year),\textsuperscript{189} of which $15.54 million (105.8 percent of expenditures) were committed, $7.96 million (54.2 percent of expenditures) were unassigned and $0.95 million (6.5 percent of expenditures) were assigned.\textsuperscript{190} The Town’s policy is to have general fund assigned reserves consisting of (a) 100 percent of the operating budget, (b) two years of debt service payments (which were $0.299 million in FY 2017-18), (c) a $0.1 million litigation reserve.

\textsuperscript{182} Colma, Fiscal Year 2019-20 Operating and Capital Budget, p. 12.
\textsuperscript{184} Grand Jury interview.
\textsuperscript{185} Ballotpedia, Local Ballot Measures, Colma, California, Measure PP, Colma Hotel Tax (November 2018)
\textsuperscript{186} Voters Edge Library, Measure PP.
\textsuperscript{187} Colma, Fiscal Year 2019-20 Operating and Capital Budget, p. 182.
\textsuperscript{188} Email from Colma, dated June 11, 2019.
\textsuperscript{190} Colma, Basic Financial Statements as of June 30, 2018, p. 13.
(d) a $0.1 million insurance loss reserve, and (e) a $0.75 million disaster response/recovery reserve. All other general fund reserves are classified as “unassigned.”

Colma projects that its general fund reserves will drop from $23.78 million in FY 2017-18 to $12.67 million in FY 2023-24, and to zero during FY 2027-28. In addition, “as a result of increasing expenditure [sic] budget” unassigned reserves will be completely drawn down during this period (dropping from $7.96 million in FY 2017-18 to zero in FY 2023-24.

**Long-Term Financial Forecast – Colma**
Colma published a long-term general fund operating budget forecast with a period of 5 years, which was incorporated into its readily-accessible FY 2018-19 budget. In its FY 2019-20 budget, the Town has extended the forecast period to ten years.

**Daly City**

**Pension Contribution Costs – Daly City**
Daly City’s pension contribution costs in FY 2017-18 were $13.13 million, up $1.5 million (12.9 percent) from $11.63 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 30.4 percent of that year’s covered payroll (up from 26.8 percent the preceding year) and 16.9 percent of its total general fund spending (up from 15.1 percent the preceding year). In addition to its contribution payments made to CalPERS, the City also makes annual, installment payments of over $3.5M on its pension obligation bonds. Taking these bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) were $16.8 million in FY 2017-18 (representing 38.9 percent of that year’s covered payroll and 22.6 percent of total general fund spending), up $1.63 million (10.8 percent) from $15.17 million in FY 2017.

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192 Ibid., p. 155.
194 Colma notes that its general fund reserves were dramatically reduced in FY 2015-16 and FY 2016-17 by the transfer of approximately $12.9 million from the reserves to fund the renovation of its Town Hall. (Colma, FY 2019-20 Operating and Capital Budget, p. 178.)
198 Ibid., pp. 149-155.
200 Appendix A.
201 Appendix A.
202 Daly City’s payments on the pension obligation bonds were $3.54 million, $3.67 million and $3.81 million in fiscal years 2016-17, 2017-18 and 2018-19, respectively. The City’s bond repayment obligations continue through FY 2023-24. Daly City, City Council Meeting presentation slides re: FYs 2019/2020 Comprehensive Biennial Operating and Capital Budget, April 12, 2018, p. 11.
203 Bartel Associates, I.L.C report to City of Daly City, March 27, 2017, pp. 24 & 44. Daly City P.O.B payments in FY 2016-17 were $3.54 million and in FY 2017-18 were $3.67 million. (Daly City, City Council Meeting presentation slides re: FYs 2019/2020 Comprehensive Biennial Operating and Capital Budget, April 12, 2018, p. 11)
Daly City’s pension contribution costs are projected to increase from FY 2017-18 by $14.64 million (11.5 percent) to $27.78 million by FY 2023-24 and by an additional $4.63 million (16.7 percent) to $32.4 million by FY 2027-28.\textsuperscript{204} The City’s total pension costs (CalPERS and bond repayments combined) are projected to increase over FY 2017-18 costs by $15.55 million (78.7 percent) to $32.36 million by FY 2023-24. Total costs in FY 2024-25 drop because the bonds will be fully paid off by the end of FY 2023-24. From FY 2024-25 to FY 2027-28, annual pension contribution costs to CalPERS rise by $2.92 million (9.9 percent) to $32.4 million (up from $29.48 million in FY 2024-25).\textsuperscript{205}

The City’s projected pension contribution costs were not included in its FY 2017 and 2018 budget\textsuperscript{206} but are set forth in its readily-accessible FY 2019-20 budget.\textsuperscript{207} They are also set forth in greater detail in the report of its actuarial consultant – Bartel Associates, LLC.\textsuperscript{208} However, in order to find the Bartel Associates projections online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: www.dalyecity.org/City_Hall/Meeting_Agendas_and_Minutes/City_Council.htm (last accessed on May 23, 2019). That search would eventually lead to the agenda package for the City Council meeting on March 27, 2017\textsuperscript{209}, which includes the report from Bartel Associates, LLC dated March 27, 2017.\textsuperscript{210}

Financial Overview – Daly City

Daly City describes itself as being in a “precarious financial situation” and that it “has balanced recent budgets through major workforce and service reductions.”\textsuperscript{211} The City reports that, out of the ten largest cities in San Mateo County, it has the lowest median household income, per capita income and median home value, the highest unemployment rate and second highest poverty rate.\textsuperscript{212} Absent significant changes to revenues and/or expenses, the City forecasts that it will experience general fund deficits beginning in FY 2018-19 with a $4.4 million deficit that rises to $12.9 million in FY 2023-24. The forecast projects a cumulative deficit of $98 million over the ten years FY 2017-18 through FY 2027-28, with the City’s unassigned general fund reserves dropping to zero in FY 2021-22.\textsuperscript{213} The foregoing forecast numbers do not factor in a recession between the present and


\textsuperscript{205} Bartel Associates, LLC report to City of Daly City, March 27, 2017, pp. 24 & 44. Daly City, City Council Meeting presentation slides re: FYs 2019/2020 Comprehensive Biennial Operating and Capital Budget, April 12, 2018, p. 11

\textsuperscript{206} Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2017 and 2018.

\textsuperscript{207} Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020, pp. 19-20. These pension cost projections go through FY 2027-28.

\textsuperscript{208} Bartel Associates, LLC report to City of Daly City, March 27, 2017, pp. 24 & 44.

\textsuperscript{209} Daly City, Agenda for City Council Meeting on March 27, 2017.

\textsuperscript{210} Bartel Associates, LLC report to City of Daly City, March 27, 2017, pp. 24 & 44.

\textsuperscript{211} Daly City Budget Forecast Model & Long-Term Financial Planning, PFM Consulting LLC, June 25, 2018, p. 29. Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020, p. 17.

\textsuperscript{212} Daly City Budget Forecast Model & Long-Term Financial Planning, PFM Consulting LLC, June 25, 2018, pp. 6 – 8.

\textsuperscript{213} Ibid., pp. 14 & 15.
FY 2027-28. When a hypothetical recession is modelled into the City’s forecast beginning in FY 2019-20, the FY 2023-24 deficit rises from $12.9 million to $15.2 million and the cumulative deficit rises from $98 million to $117.6 million for the FY 2017-18 through FY 2027-28 period.\(^{214}\)

**Additional Payments to CalPERS – Daly City**

At present, Daly City does not plan to make any supplemental payments to CalPERS beyond its Annual Required Contribution.\(^{215}\)

**Pension Reserve Fund – Daly City**

In May, 2017 Daly City approved putting in place a Section 115 Trust to help it manage payment of future pension costs.\(^{216}\) Daly City transferred $1 million into the trust in FY 2016-17 and an additional $2 million in FY 2017-18. The City expects to transfer another $1 million to the trust in 2019 bringing the total to approximately $4 million.\(^{217}\)

**Employee Contribution to City’s Normal Cost**

Daly City does not have cost-sharing agreements in place with employees under which its employees pay for any part of the City’s pension contribution costs.\(^{218}\)

**Revenue Enhancement – Daly City**

In November 2018 the residents of Daly City approved two revenue enhancements.\(^{219}\) They were a transient occupancy tax (a “hotel tax”) increase from 10 percent to 13 percent that was expected to yield increased revenue of between $0.203 million to $0.459 million year during FY 2018-19 and FY 2019-20 and $0.306 million to $0.689 million per year thereafter\(^{220}\) and business license tax increase of 10 percent that is expected to yield increased revenues of approximately $0.42 million per year.\(^{221}\) The City is not currently planning on bringing any new revenue enhancement ballot measures before its voters.\(^{222}\)

**Pension Obligation Bonds – Daly City**

In 2004 Daly City issued $36.24 million in pension obligation bonds.\(^{223}\) Daly City’s payments on these bonds were $3.54 million, $3.67 million and $3.81 million in FYs 2016-
17, 2017-18 and 2018-19, respectively. The City’s bond repayment obligations continue through FY 2023-24.224

General Fund Reserves – Daly City
Daly City’s goal is to maintain general fund unassigned reserves of at least 15 percent of general fund expenditures.225 In June 2018 the City had projected that it would have to apply approximately $6.1 million of these reserves in FY 2019-20 to close its expected operating budget deficit.226 However, the City’s most recent estimate is that the FY 2019-20 deficit may be less than $6.1 million.227 If FY 2019-20’s deficit is $6.1 million, then the City’s unassigned general fund reserves would be projected to drop from $22.59 million in FY 2017-18 (29.1 percent of general fund expenditures),228 to $16.7 million (18.5 percent of general fund expenditures) in FY 2019-20.229

Long-Term Financial Forecast – Daly City
Daly City uses a ten-year financial forecasting model as part of its long-term financial planning process.230 This forecast is not included in the FY 2019-20 budget.231 A manual search through City Council meeting agenda packages, which can be accessed at the following website: www.dalycity.org/City_Hall/Meeting_Agendas_and_Minutes/City_Council.htm (last accessed on May 27, 2019,) would eventually lead to the June 25, 2018 agenda for a meeting of the City Council232 which refers to “Update of Long-Term Financial Plan” and a link to a staff report stating that a presentation on the City’s long-term financial forecast would be made at the meeting.233 Unfortunately, however, the slides for that presentation are not included in the June 25, 2018 agenda package available online. The Grand Jury was only able to obtain Daly City’s long-term financial plan through a document request made to the City.

224 Daly City, City Council Meeting presentation slides re: FYs 2019/2020 Comprehensive Biennial Operating and Capital Budget, April 12, 2018, p. 11.
225 Daly City Budget Forecast Model & Long-Term Financial Planning, PFM Consulting LLC, June 25, 2018, slide 15. Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020, p. 11.
226 Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020, p. 7. This document is dated June 2018 and, at that time, the City also projected having to use $4.8 million in reserves to close a budget deficit in FY 2018-19. (Ibid.) However, the City now believes that it will not have a budget deficit in FY 2018-19 as a result of stronger-than-projected revenues during the year. (Email from Daly City, dated June 18, 2019.)
227 Email from Daly City, dated June 18, 2019.
229 Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020, pp. 7 & 11.
231 Daly City, Comprehensive Biennial Operating and Capital Budget for Fiscal Years 2019 and 2020.
232 Daly City, Agenda for City Council Meeting on June 25, 2018.
233 Daly City, Agenda Report for City Council Meeting on June 25, 2018 re: Update of Long-Term Financial Plan.
East Palo Alto

Pension Contribution Costs – East Palo Alto

East Palo Alto’s pension contribution costs in FY 2017-18 were $1.64 million, up $0.149 million (10 percent) from $1.49 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 17.7 percent of that year’s covered payroll (up from 17.6 percent the preceding year) and 8.3 percent of its total general fund spending (up from 8.2 percent the preceding year).

East Palo Alto’s actuarial consultant projects that the City’s pension contribution costs will increase from FY 2017-18 by $1.18 million (71.7 percent) to $2.82 million by FY 2023-24 and by an additional $0.429 million (15.2 percent) to $3.25 million by FY 2027-28.

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19, or FY 2019-20 budgets. In order to find these projected costs online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: www.ci.east-palo-alto.ca.us/AgendaCenter (last accessed on May 23, 2019). That search would eventually lead to the agenda package for the City Council meeting on May 15, 2018. The agenda package includes a report by Bartel Associates, LLC that contains annual pension cost projections.

Financial Overview – East Palo Alto

East Palo Alto has experienced substantial revenue growth in recent years and describes itself as being “in a stable financial condition.” The City notes that its opportunities include “a robust economy” and “an excellent location in Silicon Valley with 60 acres of vacant or underutilized land.” However, the City also notes fiscal revenue challenges including “the lack of material increases in General Fund revenues for the near to medium term future,” and continued organizational challenges such as “fewer staff than comparable cities,” “ongoing retention and recruitment challenges,” “unfunded CalPERS liabilities,” and “an astronomical gap in deferred infrastructure and services created before the City’s incorporation.”

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234 Appendix A.
235 Ibid.
238 By way of clarification, however, East Palo Alto “notes that the actuarial projections contained in the Bartel study are utilized in graphical presentations to Council regarding FY 18-19 to FY 2025-26 forecasts of General Fund revenues and expenditures — including increased CalPERS costs to provide context for the City’s need to contain program cost expansion.” (Email from East Palo Alto, dated June 7, 2019.)
239 East Palo Alto, Agenda for City Council meeting on May 15, 2018.
243 Ibid., pp. CM-3 & CM-5.
The City also notes that its “compensation and benefits package is generally below market. Over the past four years, the City has experienced a high volume of turnover due to various organizational issues, including retirements and non-competitive salaries and benefits. The high turnover rate results in ‘short term’ General Fund savings and increased reserves, but ultimately strains staff capacity and is also a contributing cause of the high cycle of turnover. The high rate of turnover and vacancy also ultimately has tamped down the City’s pension costs during the past four years.”

Additional Payments to CalPERS – East Palo Alto

East Palo Alto is in the initial stages of evaluating additional payments to CalPERS beyond its Annual Required Contribution. At present, however, the City Council’s expressed interest is in pre-funding the City’s unfunded pension liability with current uncommitted reserves.

Pension Reserve Fund – East Palo Alto

East Palo Alto has not established a reserve fund for the specific purpose of helping to meet rising future pension costs. However, it does have an unassigned reserve that is projected to hold $9.5 million at the end of FY 2019 that is available for risk mitigation, including pre-funding CalPERS obligations.

The City does not yet have comprehensive general fund reserve policies in place to address financial risks. Developing such an overall reserves plan is now a city council priority. At its March 5, 2019 meeting, the council approved hiring the Government Finance Officers’ Association (“GFOA”) and PSD Research Consulting Software to prepare analyses of financial risks to the City, which is a necessary precursor to the City developing an overall financial reserves policy. As part of developing overall reserves policies, the City will evaluate reserves needs to meet rising, future pension funding obligations. The City plans to complete the risk studies by January 2020.

Employee Contribution to City’s Normal Cost – East Palo Alto

East Palo Alto does not have cost-sharing agreements in place with its employees under which the employees pay a portion of the City’s pension contribution costs.

Revenue Enhancement – East Palo Alto

East Palo Alto’s residents approved Measure HH in November 2018, which is projected to provide the City with approximately $1.67 million of additional revenues to help pay for

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244 Email from East Palo Alto, dated June 7, 2019.
246 East Palo Alto, Staff Report for March 5, 2019 City Council Meeting, p. 5. Email from East Palo Alto, dated June 7, 2019.
247 Grand Jury interview. East Palo Alto, Staff Report for March 5, 2019 City Council Meeting.
248 Grand Jury interview.
250 Ibid.
housing and job training. In November 2016, residents of East Palo Alto also approved Measures O and P. Measure O increased the City’s business license tax for landlords with five or more residential units and was expected to increase City revenues by approximately $0.6M annually. Measure P increased the City’s sales tax by a half-cent and was expected to increase City revenues by approximately $1.8M annually. The City’s planned revenue enhancements are targeted toward an expanded and improved Master Fee Schedule (Fall 2019) and assessment or special district taxes related to the City’s stormwater and storm-drain systems. If approved, the assessment fees/taxes will ultimately relieve General Fund operating transfers of between $0.20 million and $0.50 million per year.

Pension Obligation Bonds – East Palo Alto
East Palo Alto does not have any outstanding pension obligation bonds.

General Fund Reserves – East Palo Alto
East Palo Alto’s general fund unassigned reserve as of end of FY 2017-18 was $16.2 million which represented a healthy 82.3 percent of the $19.67 million in general fund expenditures for the year. However, as of the FY 2018-19 Mid-year report, budgeted general fund expenditures increased by 29.1 percent over FY 2017-18 (from $19.67 million in FY 2017-18 to $25.4 million in FY 2018-19). At that time, the City had approved approximately $5.8 million in additional spending initiatives primarily related to major capital project improvements; of which $4.2 million is budgeted from general fund reserves.

Long-Term Financial Forecast – East Palo Alto
East Palo Alto’s city council has instructed staff to prepare a long-term, general fund operating plan going out to the end of FY 2025-26 and staff is in the process of preparing such a plan. Staff’s objective is to complete such a plan by October 2019.

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253 East Palo Alto, Staff Report for July 19, 2016 City Council Meeting re: increasing business license tax, p. 3. East Palo Alto, Staff Report for February 19, 2019 City Council Meeting, p. 4.
256 Ibid.
257 East Palo Alto, Staff Report for March 5, 2019 City Council Meeting, p. 4.
260 Ibid.
261 Grand Jury interview.
Foster City

Pension Contribution Costs – Foster City

Foster City’s pension contribution costs in FY 2017-18 were $6.51 million, down $0.703 million (-9.7 percent) from $7.21 million in FY 2016-17.263 The City’s FY 2017-18 pension contribution costs represented 31.2 percent of that year’s covered payroll (down from 36.3 percent the preceding year) and 17.2 percent of its total general fund spending (down from 19.8 percent the preceding year).264

The City projects its pension contribution costs will increase by $4.81 million (73.9 percent) to approximately $11.32 million by FY 2024265 and then drop by $0.366 million (-3.2 percent) to $10.95 million by FY 2028.266

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget.267 Annual projected pension contribution costs for the five year period from FY 2019-20 through FY 2023-24 are, however, included in the City’s readily accessible preliminary budget for FY 2019-20.268 In order to find the City’s projected pension costs beyond FY 2023-24, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: https://www.fostercity.org/agendasandminutes. (Last accessed on May 29, 2019.) That search would eventually lead to the agenda for the City Council meeting on January 22, 2019269 which has an agenda item entitled “Consideration of an Update on Unfunded Pension Liabilities” and a link to a “Staff Report” on the subject and a separate link to “Attachment 2 – Amortization Schedules – Current, Projected 15-year, Projected Leveled.”270 Clicking on this link to Attachment 2 leads to graphs showing Foster City’s annual, projected pension costs through FY 2028-29.271

Financial Overview – Foster City

While Foster City describes its pension liability as a “significant cause of concern,”272 it also notes that its financial health is “strong.”273 While the City is facing structural general fund budget deficits during the five-year period ending with FY 2022-23, these deficits are

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263 Foster City FY 2017-18 CAFR, pp. 86-87.
264 Appendix A.
265 Foster City, Preliminary Budget for Fiscal Year 2019-2020, p. 44.
266 Attachment 2 to Foster City staff report re Pension Liability Subcommittee Updated dated January 22, 2019. This document sets forth pension cost projections through FY 2048-49.
267 Foster City Final Budget for Fiscal Year 2018-19.
268 Foster City, Preliminary Budget for Fiscal Year 2019-2020, p. 44.
269 Foster City, Agenda for City Council meeting on January 22, 2019.
270 The agenda for Foster City’s Council meeting on January 22, 2019 may be found at https://fostercityca.civicclerk.com/Web/Player.aspx?id=773&key=-1&mod=-1&mk=-1&nov=0. (Last accessed on May 29, 2019.)
271 Attachment 2 to Foster City Staff Report for City Council Meeting on January 22, 2019 re: Pension Liability Subcommittee Update.
272 Foster City staff report for March 26, 2018 City Council Meeting re: Pension Liability, p. 269.
273 Foster City Final Budget for Fiscal Year 2018-19, p. 9.
modest in comparison to available general fund reserves of $40.77 million as of the end of FY 2019.274

Additional Payments to CalPERS – Foster City
Foster City plans to make an extra $3.43 million payment to CalPERS beyond its Annual Required Contribution by the end of FY 2018-19.275 The City Council has not yet established a policy about making additional payments to CalPERS beyond its Annual Required Contribution in future years.276 The City Council’s Pension Subcommittee plans to meet in the fall of 2019 to discuss long-term plans to improve funding for the City’s pension.277

Pension Reserve Fund – Foster City
In 2018, Foster City approved creating a $2 million Discretionary Pension Liability Stabilization Fund.278 However, the City’s primary focus is on accelerating payments to CalPERS in order to reduce long-term CalPERS costs, not on building a stabilization fund. Accordingly, the City has decided to apply the $2 million in this stabilization fund as part of an estimated $3.43 million additional payment to CalPERS being made before the end of FY 2019.279

In late 2018, Foster City established a Pension Liability Subcommittee of the City Council to discuss strategies towards addressing the City’s long-term pension obligations.280

Employee Contribution to City’s Normal Cost – Foster City
Foster City has stated that it will seek pension cost-sharing agreements from employees in its next round of labor negotiations.281 The City’s existing agreements with three of its represented groups of employees expire on June 30, 2019 and labor negotiations began in early 2019.282

274 The projected deficits are $850,000, $84,000, $159,000, $68,000 and $26,000. Foster City Final Budget for Fiscal Year 2018-19, p. 43.
275 Grand Jury interview; Foster City, Staff Report for April 15, 2019 City Council Meeting re: Use and Transfer Out of FY 207-2018 General Fund Rollover Surplus, pp. 1-2. Foster City, Preliminary Budget for Fiscal Year 2019-2020, p. 44.
276 Grand Jury interview. Email from Foster City, dated June 18, 2019.
277 Email from Foster City, dated June 18, 2019.
280 Foster City, Staff Report for November 19, 2018 City Council Meeting re: Establishing a Pension Liability Subcommittee.
281 Foster City, Staff Report for March 26, 2018 City Council Meeting re: Pension Liability, p. 269. Grand Jury interview.
Revenue Enhancement – Foster City
Foster City residents approved Measure TT in November 2018. This was an increase in the City’s transient occupancy tax (“TOT” or “hotel tax”) from 9.5 percent to 12 percent. The City forecasts that this tax increase will yield revenue of $0.272 million, $0.924 million, $0.943 million, $0.962 million and $0.981 million in the 5 years from FY 2018-19 through FY 2022-23. Foster City is not currently planning on bringing any new revenue enhancement ballot measures before its voters.

Pension Obligation Bonds – Foster City
Foster City does not have any outstanding pension obligation bonds.

General Fund Reserves – Foster City
Foster City’s general fund reserve balance is projected to be $40.77 million at the end of FY 2018-19, representing a very healthy 91.1 percent of the general fund budget for the year. The City’s five-year forecast projects that this reserve balance percentage will drop down to 82.5 percent by the end of FY 2022-23. This remains well above the City’s Reserve Policy percentage of 33.3 percent to 50 percent of the general fund budget.

Long-Term Financial Forecast – Foster City
Foster City’s long-term general fund financial forecast is based on a five-year projection. The most current five-year financial forecast published by the City is for the period ending on June 30, 2024 and can be found in the City’s FY 2019-20 preliminary budget.

Half Moon Bay
Pension Contribution Costs – Half Moon Bay
Half Moon Bay’s pension contribution costs in FY 2017-18 were $0.881 million, up $0.287 million (48.3 percent) from $0.594 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 28.2 percent of that year’s covered payroll (up from 24.5 percent the preceding year) and 7.2 percent of total general fund spending (up from 5.7 percent the preceding year).

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283 Ballotpedia, Local Ballot Measures, Foster City, California, Measure TT, Hotel Tax Increase (November 2018).
284 Foster City Final Budget for Fiscal Year 2018-19, pp. 47-48.
285 Email from Foster City, dated June 18, 2019.
286 Ibid.
287 Ibid., p. 54.
288 Ibid., p. 54.
289 Foster City, Preliminary Budget for Fiscal Year 2019-2020, pp. 55-94. The city also published a five-year financial forecast in its Final Budget for Fiscal Year 2018-19, pp. 52-90.
290 Appendix A.
291 Ibid.
The City’s actuarial consultant projects that the City’s pension contribution costs will increase by $0.665 million (75.6 percent) to $1.55 million by FY 2023-24 and by an additional $0.345 million (22.3 percent) to $1.89 million by FY 2028-29.\textsuperscript{292}

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, its FY 2018-19 budget, or its FY 2018-19 budget\textsuperscript{293} nor was the Grand Jury able to find them in any City Council meeting agenda packages for the period from January 1, 2018 through June 1, 2019. The only pension cost projections for Half Moon Bay that the Grand Jury obtained came from a written document request made to the City. That request yielded a detailed study of the City’s current and projected annual pension costs through FY 2028-29 prepared by Bartel Associates, LLC and dated October 8, 2018.\textsuperscript{294} As of the Grand Jury’s March 21, 2019 interview, staff reported that neither the Bartel report, nor any other data showing the City’s rising pension costs in the future, had been presented by staff to the City Council and that staff saw no reason to provide such information to the City Council because pensions are not an area of financial concern for Half Moon Bay.\textsuperscript{295}

Financial Overview – Half Moon Bay

Half Moon Bay states that it is in a “strong position” financially “following 10 years of economic growth”\textsuperscript{296} Nevertheless, the City states in its FY 2019-20 recommended budget that “rising pension costs will pose significant budgetary and service-level challenges in coming fiscal years.”\textsuperscript{297} Notwithstanding the concern, staff reports that it is confident that the City will be able to meet this challenge.\textsuperscript{298} The City projects that its general fund balance (or surplus) will decrease from $10.1 million at the end of FY 2017-18 (representing 56.8 percent of $17.77 million in general fund expenses) down to $4.14 million at the end of FY 2023-24 (representing 20.9 percent of $19.79 million in general fund expenses). This is due, in part, to the City’s projections that it will make approximately $12 million of investments into capital improvement projects from FY 2017-18 through FY 2023-24 (spending an average of $1.73 million per year on improvements during that period).\textsuperscript{299}

Additional Payments to CalPERS – Half Moon Bay

Half Moon Bay has no current plans to make any additional payments to CalPERS beyond its Annual Required Contribution.\textsuperscript{300} In its FY 2018-19 budget, the City stated that “Staff is currently working on an independent actuarial valuation of the City’s pension plans and

\textsuperscript{292} Bartel Associates, I.L.C report to City of Half Moon Bay, October 8, 2018, pp. 20 & 30. This report includes pension cost projections through FY 2028-29.


\textsuperscript{294} Bartel Associates, LLC report to City of Half Moon Bay, October 8, 2018, pp. 20 & 30.

\textsuperscript{295} Grand Jury interview.

\textsuperscript{296} Ibid., p. 16.

\textsuperscript{297} Grand Jury interview.

\textsuperscript{298} Half Moon Bay, Fiscal Year 2019-20 Recommended Operating Budget, p. 82.

\textsuperscript{299} Grand Jury interview.

\textsuperscript{300} 2018-2019 San Mateo County Civil Grand Jury
will be bringing a pension funding policy recommendation to Council at the beginning of the new fiscal year.\textsuperscript{301} As noted above, the City’s actuarial valuation firm (Bartel Associates, LLC) delivered that valuation report to the City on October 8, 2018.\textsuperscript{302} However, as of March 21, 2019, staff had not presented the Bartel report to the City Council and reported that there were no plans to develop a pension funding policy recommendation for council’s consideration.\textsuperscript{303}

Pension Reserve Fund – Half Moon Bay

Half Moon Bay has $1.15 million in a “Retirement Stabilization Fund”\textsuperscript{304} and plans to add another $0.1 million to that fund by June 30, 2019.\textsuperscript{305} This amount would represent approximately 17 months of pension contribution cost (based on FY 2017-18 payments). The City has made no decision yet as to whether to add further to this fund in FY 2019-20 or thereafter.\textsuperscript{306}

Employee Contribution to City’s Normal Cost – Half Moon Bay

Half Moon Bay has no cost-sharing agreements in place with employees under which the employees pay a portion of the City’s pension contribution costs.\textsuperscript{307}

Revenue Enhancement – Half Moon Bay

At present, Half Moon Bay is not engaged in a process of actively preparing to bring any revenue enhancement ballot measures before its voters.\textsuperscript{308} However, staff notes that it regularly considers whether a ballot measure seeking revenue enhancement is appropriate for the City and it is certainly possible that the City could decide to begin such a process in the future with an eye to submitting such a ballot measure to its voters in November 2020.\textsuperscript{309}

Pension Obligation Bonds – Half Moon Bay

Half Moon Bay does not have any outstanding pension obligation bonds.\textsuperscript{310}

General Fund Reserves – Half Moon Bay

Half Moon Bay projects that its general fund balance (or surplus) will decrease from $10.1 million at the end of FY 2017-18 (representing 56.8 percent of its $17.77 million in general fund expenses) down to $4.14 million at the end of FY 2023-24 (representing 20.9 percent of its $19.79 million in general fund expenses).\textsuperscript{311} As noted above in the section entitled

\textsuperscript{301} Half Moon Bay Adopted Operating Budget FY 2018-19, p. 57.
\textsuperscript{302} Bartel Associates, LLC report to City of Half Moon Bay, October 8, 2018.
\textsuperscript{303} Grand Jury interview.
\textsuperscript{304} Half Moon Bay Adopted Operating Budget FY 2018-19, p. 208.
\textsuperscript{305} Grand Jury interview. Half Moon Bay Adopted Operating Budget FY 2018-19, p. 57.
\textsuperscript{306} Grand Jury interview.
\textsuperscript{307} Ibid.
\textsuperscript{308} Ibid.
\textsuperscript{309} Ibid.
\textsuperscript{310} Ibid.
\textsuperscript{311} Half Moon Bay, Fiscal Year 2019-20 Recommended Operating Budget, p. 82.
"Financial Overview – Half Moon Bay," this projected draw down of the general fund balance would be due, in part, to the City’s decision to make approximately $12 million of investments into capital improvement projects from FY 2017-18 through FY 2023-24 (spending an average of $1.73 million per year on improvements during that period).  

Notwithstanding the draw-down of the general fund balance, Half Moon Bay expects to continue to maintain an operating contingency reserve of at least 30 percent of operating general fund expenses each year\textsuperscript{313} and the City has also established an economic uncertainty reserve with the goal of holding an amount in that reserve equal to at least 20 percent of general fund operating expenses. The City projects that at the end of FY 2019-20, the contingency reserve will equal $5.04 million (30 percent of general fund operating expenses of $16.79 million) and the new economic uncertainty reserve will equal $2.61 million (15.6 percent of general fund operating expenses).\textsuperscript{314} 

The City also notes that in FY 2019-20, it plans to make a one-time payment of $11 million to pay off (ahead of schedule) its outstanding judgement obligation bonds, which will leave the City largely debt free, except for repayment over the next ten years, on an interest-free basis, of $6 million that San Mateo County advanced to the City to help build the City’s new library.\textsuperscript{315} 

**Long-Term Financial Forecast – Half Moon Bay**

Half Moon Bay included a five-year general fund financial forecast in its readily-accessible FY 2018-19 budget\textsuperscript{316} and in its FY 2019-20 recommended budget.\textsuperscript{317} 

**Hillsborough**

**Pension Contribution Costs - Hillsborough**

Hillsborough’s pension contribution costs in FY 2017-18 were $2.41 million, up $0.254 million (11.8 percent) from $2.16 million in FY 2016-17.\textsuperscript{318} The Town’s FY 2017-18 pension contribution costs represented 23.6 percent of that year’s covered payroll (down from 24.9 percent the preceding year) and 10.8 percent of its total general fund spending (up from 10.2 percent the preceding year).\textsuperscript{319} 

\textsuperscript{312} Ibid., p. 82. 
\textsuperscript{313} Staff note that this 30 percent compares favorably with the recommendation of the Government Finance Officers Association (GFAO) that municipalities maintain unrestricted reserves (which would include contingency reserves) equal to at least two months (17 percent) of general fund revenues or expenses. GFAO website (https://www.gfoa.org/fund-balance-guidelines-general-fund). Grand Jury interview. 
\textsuperscript{314} Half Moon Bay, Fiscal Year 2019-20 Recommended Operating Budget, p. 73. Grand Jury interview. 
\textsuperscript{315} Grand Jury interview. 
\textsuperscript{316} Half Moon Bay Adopted Operating Budget FY 2018-19, p. 94. 
\textsuperscript{317} Half Moon Bay, Fiscal Year 2019-20 Recommended Operating Budget, p. 82. 
\textsuperscript{318} Appendix A. 
\textsuperscript{319} Ibid.
Hillsborough’s actuarial consultant projects the Town’s pension contribution costs will increase from FY 2017-18 by $2.05 million (84.6 percent) to $4.47 million by FY 2023-24 and by an additional $0.926 million (20.7 percent) to $5.4 by FY 2027-28.  

Hillsborough’s projected pension contribution costs were not included in its FY 2018-19 budget but are set forth in its readily-accessible FY 2019-20 proposed budget.

**Financial Overview – Hillsborough**

Hillsborough’s financial position appears to be strong. It had a large general fund balance of $22.5 million at the end of FY 2017-18 (representing 101.1 percent of general fund expenditures for the year) and, over the course of the following ten years through FY 2027-27, projects that this balance will remain at an average of approximately $24.4 million, representing an average of 77 percent of general fund expenditures, still well above the Town’s minimum of 30 percent and goal of 50 percent.

**Additional Payments to CalPERS - Hillsborough**

Hillsborough’s staff recommended to the Town Council on September 11, 2018 that an analysis be prepared for the FY 2019-20 budget to fund a $0.25 million additional payment to CalPERS beyond its Annual Required Contribution for each of the next five years in order to accelerate amortization of the Town’s Unfunded Liability and thus reduce long-term interest costs. This recommendation was made in the context of an overall recommendation that the Town budget a total of $3.25 million for pension mitigation over the next five years ($1.25 million in additional payments and $2 million into a Section 115 trust). After weighing all aspects of pension mitigation strategies over the course of several discussions, the Town council elected not to proceed with additional payments to CalPERS at that time, but (as described in “Pension Reserve Fund – Hillsborough” below) also decided to increase the proposed contribution to the Section 115 trust from the recommended $2 million to $4.8 million over the next two years. Staff reports that the Town will review its pension mitigation strategy during the next annual budget process.

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Pension Reserve Fund - Hillsborough
Hillsborough has established a Section 115 Trust for the purpose of helping meet future pension expenses and, in January 2019 approved funding the trust with an initial $2.4 million. The Town’s FY 2019-20 proposed budget calls for an additional $2.4 million to be transferred to the trust. If this additional amount is deposited in the trust, the total as of FY 2019-20 will be $4.8 million which would represent 18 months of Hillsborough’s projected annual pension costs as of FY 2019-20. The Town is not currently planning to contribute any amounts beyond $4.8 million to this trust, but will review funding changes in the future if circumstances warrant.

Employee Contribution to City’s Normal Cost - Hillsborough
Hillsborough has cost sharing agreements with employees who participate in its “Classic” plans under which they pay a portion of the Town’s pension costs equal to one percent of their compensation.

Revenue Enhancement - Hillsborough
Hillsborough is not currently in the process of planning to seek voter approval of any revenue enhancement measures, but it does periodically review its funding sources to fund needs such as capital improvements.

Pension Obligation Bonds – Hillsborough
Hillsborough does not have any outstanding pension obligation bonds.

General Fund Reserves - Hillsborough
Hillsborough projects having a general fund balance of $23.42 million at the end of FY 2018-19. The Town projects that it will have small annual general fund surpluses through FY 2024-25, at which time the balance will be $25.6 million. In FY 2025-26, the Town projects running a general fund deficit of $0.441 million, and annual deficits of $1.32 and $1.66 million in FY 2027-28 and FY 2028-29, respectively, at which time the general fund balance is projected to be $21.34 million. Included in these annual general fund balance numbers is $4.8 million in the Section 115 Trust.

Hillsborough’s general fund reserve policy is to maintain a general fund balance equal to a 50 percent, with a minimum of 30 percent, of general fund expenditures. In FY 2017-18,

328 Hillsborough, Proposed Budget for Fiscal Year 2019-20 with Preliminary Budgets for Fiscal Years 2020-21 & 2021-22, p. 27.
329 Appendix A.
331 Grand Jury interview.
332 Ibid. Email from Hillsborough, dated June 5, 2019.
333 Grand Jury interview.
the general fund balance equaled 101.1 percent of general fund expenditures for the year.\textsuperscript{335} That percentage is projected to drop to 85.2 percent by the end of FY 2018-19, 81.3 percent at the end of FY 2023-24 and down to 63.3 percent at the end of FY 2027-28, still well above the Town’s goal of 50 percent.\textsuperscript{336} If Hillsborough’s general fund expenditures were calculated to include transfers of funds out to other funds, however, then the expenditures would increase and the percentages of expenditures represented by the general fund balances would change to 92.5 percent at the end of FY 2017-18, 85.7 percent at the end of FY 2018-19, 81.1 percent at the end of FY 2023-24 and 57 percent at the end of FY 2027-28.\textsuperscript{337}

**Long-Term Financial Forecast – Hillsborough**

Hillsborough’s long-term general fund financial forecasting is based on a ten-year period. This forecast is included in the Town’s readily-accessible FY 2018-19 budget and its FY 2019-20 proposed budget.\textsuperscript{338}

**Menlo Park**

**Pension Contribution Costs – Menlo Park**

Menlo Park’s pension contribution costs in FY 2017-18 were $5.56 million, down $0.01 million (-0.2 percent) from FY 2016-17.\textsuperscript{339} The City’s FY 2017-18 pension contribution costs represented 23.8 percent of that year’s covered payroll (down from 24.1 percent the preceding year) and 11.8 percent of its total general fund spending (unchanged from 11.8 percent the preceding year).\textsuperscript{340}

Menlo Park’s actuarial consultant projects the City’s pension contribution costs (net of employee cost sharing under which employees pay a portion of the City’s pension obligations) will increase over FY 2017-18 costs by $4.84 million (87.1 percent) to $10.39 million by FY 2023-24 and by an additional $1.64 million (15.8 percent) to $12.03 million over FY 2023-24 costs by FY 2027-28.\textsuperscript{341}

Menlo Park’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget.\textsuperscript{342} In order to find these projected costs online, it is

\textsuperscript{336} Hillsborough, Proposed Budget for Fiscal Year 2019-20 with Preliminary Budgets for Fiscal Years 2020-21 & 2021-22, p. 107.
\textsuperscript{337} Email from Hillsborough, dated June 5, 2019.
\textsuperscript{339} Appendix A.
\textsuperscript{340} Ibid. See “Note” regarding Menlo Park’s “Contribution Cost as % of General Fund Spending” for alternative calculation of these percentages.
\textsuperscript{341} Bartel Associates, LLC report to City of Menlo Park, November 13, 2018, pp.28 & 46.
\textsuperscript{342} Menlo Park, Fiscal Year 2018-19 Adopted Budget. Menlo Park’s FY 2018-19 budget (at page 38) does set forth the City’s pension costs through FY 2028-29, but only to the extent paid out of the general fund. Therefore, the budget does not show the City’s total pension costs.
necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: https://menlopark.org/AgendaCenter/City-Council-14. (Last accessed on June 2, 2019.) That search would eventually lead to the agenda for the November 13, 2018 City Council meeting, which refers to an “Employee pension obligations” study session and includes a link to a staff report on this topic dated November 13, 2019, attached to which is a detailed review of the City’s projected pension costs from its actuarial consulting firm (Bartel Associates, LLC).

Financial Overview – Menlo Park

Menlo Park describes its financial outlook “currently quite strong” and notes that the outlook for growing property tax revenues, the City’s largest revenue source, remains “strong.” The City notes, however, that the “strong economy has resulted in near zero unemployment for the region and the City is in fierce competition for talented staff.”

As of the end of FY 2017-18, Menlo Park had a total general fund balance of $37.12 million. Notwithstanding rising pension costs and a tight labor market, the City projects that it will continue to accrue substantial increases in its general fund balance. From FY 2018-19 through FY 2023-24, it projects aggregating additional general fund balance amounts totaling $16.3 million and, from FY 2024-25 through FY 2027-28, it projects aggregating an additional $12.1 million in general fund balance amounts, bringing total additional amounts accrued in the general fund balance for the period from FY 2018-19 through FY 2027-28 to $28.4 million. These projections take into account an assumption that “an economic downturn is nearly certain to occur within the time frame of the [long-term] forecast” making the projections more conservative than those of Cities that do not model a likely recession into their long-term financial planning.

Staff notes, however, that a portion of these projected general fund surpluses may be used to offset a portion of future funding needs for planned capital improvements. The City points out that capital improvement projects are budgeted for a total of $73.5 million over five years and that the “funds that support those projects are expected to have a funding requirement of $44.64 million through the five-year plan. As the City realizes surpluses in the General Fund, those funds may be used to offset a portion of the future funding need.”

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343 Menlo Park. Agenda for City Council meeting on November 13, 2018.
344 Menlo Park. Staff Report for City Council Meeting on November 13, 2018 re: Study Session: Employee pension obligations.
350 Ibid., p. 37.
351 Ibid., p. viii of City Manager’s Transmittal Letter. Email from Menlo Park, dated June 6, 2019.

2018-2019 San Mateo County Civil Grand Jury
Additional Payments to CalPERS – Menlo Park

Menlo Park's staff has recommended to the council that the City make supplemental payments to CalPERS in excess of its Annual Required Contribution in amounts that mimic the effect of amortizing unfunded liabilities on a ten year schedule for its Miscellaneous Plans and a fifteen year schedule for its Tier 1 Safety Plan. If adopted by the City Council for FY 2019-20 and included in budgets for each subsequent year (which requires affirmative City Council action each new year), this recommendation would, by the end of FY 2027-28 result in the City making aggregate supplemental payments to CalPERS of approximately $12.68 million in addition to its Annual Required Contribution. After FY 2027-28, the City projects that these additional payments will yield net, annual decreases in payments to CalPERS for an aggregate savings - net of the $12.68 million of additional payments - of approximately $18.1 million by FY 2033-34.

Pension Reserve Fund – Menlo Park

Menlo Park has established a "Strategic Pension Funding" reserve which, as of June 30, 2018, had a balance of $4.3 million, up from $3.3 million the year before. Menlo Park's policy is to assign 25 percent of any general fund surpluses to this pension reserve. Based on projected surpluses set forth in the City's FY 2018-19 budget of approximately $0.6 million in FY 2018-19, $4.24 million in FY 2019-20, $3.67 million in FY 2020-21, $2.57 million in FY 2021-22, $2.79 million in FY 2022-23 and $2.4 million in FY 2023-24 this policy would, if the City continued to implement it, add another $4.1 million to the reserve through FY 2023-24 for an aggregate total Strategic Pension Funding Reserve of $8.4 million. If Menlo Park continued to apply this 25 percent policy through FY 2027-28, based on projections in the City's FY 2018-19 budget a further $3 million would be added to the reserve. This would result in a Strategic Pension Funding reserve balance of $11.4 million at the end of FY 2027-28, which would equal almost a full year of projected FY 2027-28 pension costs. Menlo Park notes that the foregoing projections from its FY 2018-19 budget have been updated since the budget was prepared in 2018 however the new projections have not been published yet and so the Grand Jury relied on the FY 2018-19 budget numbers.

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352 Menlo Park, Staff Report for City Council Meeting on March 5, 2019 re: Planned budget strategy for unfunded pension liability, pp. 9-10 & 11.
353 Email from Menlo Park, dated June 6, 2019.
354 Ibid.
357 Menlo Park, Fiscal Year 2018-19 Adopted Budget, p. 38.
358 Ibid., p. 36.
359 The City has indicated that it will continue to implement this policy until otherwise affirmatively decided by the City Council. Grand Jury interview.
362 Email from Menlo Park, dated June 6, 2019.
Employee Contribution to City’s Normal Cost – Menlo Park

Menlo Park employees have entered into cost-sharing agreements with the City under which they pay for a portion of the pension costs that would otherwise have to be paid by the City. Under these cost-sharing agreements (a) Miscellaneous plan employees will pay an additional amount equal to 50 percent of the City’s future pension cost increases above set percentage contribution rates for the City,363 (b) with sworn Safety plan Tier 1 and Tier 2 employees under which they will pay a portion of the City’s pension costs equal to 3 percent of covered payroll, and (c) with PEPRA Safety plan employees under which they pay the greater of one-half of the City’s pension contribution costs for them, or an amount equal to 12 percent of their covered payroll.364 Menlo Park estimates the net present value of the savings it could achieve under these employee cost-sharing agreements to be $11.88 million.365

Revenue Enhancement – Menlo Park

Menlo Park is not currently planning to put any revenue enhancement ballot measures before its voters.366

Pension Obligation Bonds – Menlo Park

Menlo Park does not have any outstanding pension obligation bonds.367

General Fund Reserves – Menlo Park

As of June 30, 2018, Menlo Park’s unrestricted368 general fund balance was $35.71 million369 representing 53.1 percent of the general fund’s $67.26 million in budgeted general fund expenditures for FY 2018-19.370 Included within the FY 2018-19 general fund unrestricted balance was $9.3 million emergency contingencies reserve, a $12 million reserve to mitigate the effects of major economic uncertainties, and $4.3 million for strategic pension funding.371 The City’s goal is to maintain the unrestricted general fund balance at between 43 and 55 percent of general fund expenditures.372

363 For Miscellaneous plan employees in the SEIU unit, this percentage is 14.597 percent and for other Miscellaneous plan employees it is 15.85 percent. (Email from Menlo Park, dated June 6, 2019.)
364 Grand Jury interview. See also, Menlo Park. Fiscal Year 2018-19 Adopted Budget, p. 38.
365 Menlo Park, Staff Report for City Council Meeting on March 5, 2019 re: Planned budget strategy for unfunded pension liability, pp. 6-7.
366 Email from Menlo Park, dated June 6, 2019.
367 Ibid.
368 "Unrestricted" assets are those which are not “invested in capital assets net of related debt” or that the City is otherwise restricted from spending by external creditors, grantors, contributors or applicable laws or regulations. Menlo Park, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 52.
As of the end of FY 2017-18, Menlo Park had a total general fund balance of $37.12 million.\footnote{Ibid., p. 32.} As noted above, over the ten-year period from FY 2018-19 through FY 2027-28, Menlo Park projects it will aggregate further general fund surpluses totaling $28.4 million.\footnote{Menlo Park. Fiscal Year 2018-19 Adopted Budget, pp. 36-37.}

Over that same ten-year period, the unassigned general fund balance is projected to increase from $4.41 million to $11.55 million.\footnote{Email from Menlo Park, dated May 11, 2019. Menlo Park. Fiscal Year 2018-19 Adopted Budget, p. 39.}

\textbf{Long-Term Financial Forecast – Menlo Park}

Menlo Park publishes a long-term general fund operating budget forecast with a period of ten years.\footnote{Menlo Park. Fiscal Year 2018-19 Adopted Budget, pp. 36-37.} The long-term general fund operating budget forecast can be found in the City's FY 2018-19 budget,\footnote{Ibid., pp. 36-37. A ten-year forecast was also included in the City’s Fiscal Year 2017-18 Adopted Budget, pp. 46-47.} which can easily be accessed online at the landing page for the Menlo Park finance department at \url{https://menlopark.org/367/Finance}. (Last accessed on May 11, 2019.)

\textbf{Millbrae}

\textbf{Pension Contribution Costs - Millbrae}

Millbrae’s pension contribution costs in FY 2017-18 were $3.31 million, up $0.978 million (41.9 percent) from $2.34 million in FY 2016-17.\footnote{Appendix A.} The City’s FY 2017-18 pension contribution costs represented 45 percent of that year’s covered payroll (up from 37.9 percent the preceding year) and 11.7 percent of its total general fund spending (up from 9.2 percent the preceding year).\footnote{Ibid.}

In addition to its contribution payments made to CalPERS, Millbrae also makes annual, installment payments on its 2004 pension obligation bonds (originally issued in the amount of $11.5 million).\footnote{Millbrae notes that its pension payments as a percentage of covered payroll are artificially high because the City has pension liability for public safety employees (police and fire) but the City currently contracts for services and has no employees in those categories. While the City has no police and fire staff, the City is responsible for unfunded liability pension costs associated with former police and fire agencies and is also responsible for pension costs associated with employees in police and fire contracts. Pension spending for Miscellaneous plan employees in FY 2017-18 represented only 29.5% of covered payroll. (Email from Millbrae, dated June 12, 2019.)} The City paid $1.07 million on the bonds in FY 2017-18 and will pay $1.11 million in FY 2018-19.\footnote{Millbrae, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, pp. 19 & 68.}\footnote{Millbrae, Slide presentation for November 13, 2018 City Council meeting re: Post-Employment Benefit Review, slide 30.} Taking bond payments into account, Millbrae’s total payments on account of its pensions (CalPERS and bond payments combined) were $4.39

\footnote{Email from Millbrae, dated June 12, 2019.}
million in FY 2017-18 (representing 59.6 percent of that year’s covered payroll and 15.5 percent of total general fund spending of $28.2 million\textsuperscript{384}), up $1.02 million (30.3 percent) from $3.37 million in FY 2016-17.\textsuperscript{385}

Millbrae projects its pension contribution costs will increase from FY 2017-18 by $2.93 million (88.3 percent) to $6.24 million by FY 2023-24 and by an additional $0.377 million (6 percent) to $6.62 million by FY 2027-28.\textsuperscript{386} From FY 2018-19 through FY 2027-28, the City will pay a total of $13.57 million on its pension obligation bonds, which represents an average annual of approximately $1.36 million.\textsuperscript{387} Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) will increase from FY 2017-18 by $3.24 million (73.9 percent) to $7.62 million by FY 2023-24 and by an additional $0.602 (7.9 percent) to $8.23 million by FY 2027-28.\textsuperscript{388}

Millbrae’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 & 2019-20 budget.\textsuperscript{389} The most detailed information about the City’s projected pension costs is found in the January 19, 2018 report by the City’s actuarial consultant (Bartel Associates, LLC).\textsuperscript{390} Unfortunately, this report is not made available by Millbrae on its website. The Grand Jury obtained a copy through a direct request to the City.\textsuperscript{391} Other pension cost projection information can be found on the City’s website by manually searching through City Council meeting agenda packages, which can be accessed at the following website: https://www.ci.millbrae.ca.us/departments-services/city-clerk/city-council-meetings-agendas-toggle-allpast. (Last accessed on June 2, 2019.) That search would eventually lead to the agenda for the November 13, 2018 City Council meeting,\textsuperscript{392} which references a discussion of “Post Employment Benefit Costs” and has a link next to it entitled “PowerPoint presentation.” Clicking on that link leads to presentation slides that include, on slide 30, projected pension costs and annual pension obligation bond debt service amounts.\textsuperscript{393}

\textsuperscript{384} Millbrae, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 34. Note: If general fund “transfers out” were included as part of general fund expenditures for FY 2017-18, then total expenditures would be $33.64 million and the $4.39 million of total, combined payments on account of pensions would represent 13 percent of general fund expenditures.


\textsuperscript{386} Ibid.

\textsuperscript{387} Ibid.

\textsuperscript{388} Ibid.


\textsuperscript{390} Bartel Associates, LLC report to City of Millbrae, January 19, 2018.

\textsuperscript{391} The Grand Jury also received updated annual pension contribution cost and pension obligation bond debt service cost information for FY 2018-19 through FY2028-29 via an email from Millbrae, dated June 12, 2019.

\textsuperscript{392} Millbrae, Agenda for City Council meeting on November 13, 2018.

\textsuperscript{393} Millbrae, Slide presentation for November 13, 2018 City Council meeting re: Post-Employment Benefit Review, slide 30.

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Financial Overview – Millbrae

Millbrae reports that its overall financial position is “sound” and that key revenues are anticipated to continue to grow. The City notes, however, that there is concern about the effects of a future recession, which appears to be overdue as the length of the current recovery from the 2008 recession has lasted twice as long as the average of 5 years between recessions.394

The City notes that, for its prior 2-year budget cycle from FY 2015-16 through FY 2017-18, it planned to draw down a total of $12.5 million in general fund reserves “to fund a robust capital improvement program.” The City states that it was able to reduce that planned draw down of reserves to $8.5 million, but $1.8 million of that use of reserves was in order to close a budget deficit for operating expenses. In FY 2018-19, the City states that it had to take “significant action to assure a balanced operating budget.”395 Millbrae notes that on June 11, 2019, it presented an update to the FY 2019-20 budget that brings the operating budget into balance.396

Additional Payments to CalPERS – Millbrae

Millbrae reports that it has no current plans to make any additional payments to CalPERS beyond its Annual Required Contribution but, at the City Council’s direction staff is investigating options which will be presented at a future date to be considered in line with the City’s additional strategic priorities.397

Pension Reserve Fund – Millbrae

Millbrae has not established any reserves for the purpose of helping to meet rising pension costs in the future.398

Employee Contribution to City’s Normal Cost – Millbrae

Millbrae has entered into cost-sharing agreements with Miscellaneous plan “classic” employees under which those employees agree to pay a portion of the City’s pension contribution costs equal to 5 percent of their salary.399 Those employee contributions are projected to average $0.257 million per year from FY 2017-18 through FY 2027-28.400

Revenue Enhancement – Millbrae

Millbrae has no current plans to put any revenue enhancement ballot measures before its voters.401

395 Ibid., p. 16.
396 Email from Millbrae, dated June 12, 2019.
397 Ibid.
398 Ibid.
399 Millbrae, City Council Agenda Report for City Council Meeting on November 13, 2018 re: Receive informational report on City of Millbrae Post-Employment Benefit Costs, p. 3
401 Email from Millbrae, dated June 12, 2019.
Pension Obligations Bonds - Millbrae
In 2004, Millbrae issued pension obligation bonds in the amount of $11.5 million.\textsuperscript{402} A total of $10.54 million in payments on the bonds will be due from Millbrae during the years from FY 2019-20 through FY 2026-27, which represents an annual average of approximately $1.32 million.\textsuperscript{403} The bonds will be paid off in FY 2033-34.\textsuperscript{404}

General Fund Reserves - Millbrae
At the end of FY 2017-18, Millbrae had an unrestricted general fund balance of $19.3 million. This amount was 68 percent of the $28.2 million of general fund expenditures for that year.\textsuperscript{405} The FY 2017-18 balance represented a decrease of $3.81 million (16.5 percent) from FY 2016-17, when the City’s unrestricted general fund balance was $23.07 million and equaled 90.5 percent of general fund expenditures of $25.49 million for the year.\textsuperscript{406}

The City informed the Grand Jury in April 2018 that it was unable to predict what its general fund balance will be at the end of FY 2018-19 or FY 2019-20 as staff was continuing to evaluate opportunities to increase revenues and improve efficiencies.\textsuperscript{407} Based on the current adopted budget and proposed amendments at the mid-cycle update, assuming all revenues and expenses as originally forecast, staff now estimates an ending general fund balance of $12.7 million in FY 2018-19 and $6.05 in FY2019-20 with a reserve fund policy level of 15 percent.\textsuperscript{408}

Long-Term Financial Forecast – Millbrae
Millbrae does not currently have a long-term general fund financial forecast. The City is in the process of developing a ten-year general fund financial forecast and expects to have one sometime in FY 2019-20.\textsuperscript{409}

Pacifica
Pension Contribution Costs - Pacifica
Pacifica’s pension contribution costs in FY 2017-18 were $4.09 million, up $0.351 million (9.4 percent) from $3.74 million in FY 2016-17.\textsuperscript{410} The City’s FY 2017-18 pension contribution costs represented 24.8 percent of that year’s covered payroll (up from 22.9 percent the preceding year) and 13.6 percent of its total general fund spending (up from 13 percent the preceding year).\textsuperscript{411}

\textsuperscript{402} Millbrae, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, pp. 19 & 68.
\textsuperscript{403} Millbrae, Slide presentation re: Post-Employment Benefit Review, slide 30.
\textsuperscript{404} Millbrae, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 68.
\textsuperscript{405} Ibid., pp. 5, 32, 34 & 74.
\textsuperscript{407} Grand Jury interview.
\textsuperscript{408} Email from Millbrae, dated June 12, 2019.
\textsuperscript{409} Grand Jury interview.
\textsuperscript{410} Appendix A.
\textsuperscript{411} Ibid.
In addition to its contribution payments made to CalPERS, the City also makes annual, installment payments on its 2010 pension obligation bonds (originally issued in the amount of $20.5 million).\textsuperscript{412} It paid $1.69 million on the bonds in FY 2017-18\textsuperscript{413} and will pay $1.75 million in FY 2018-19.\textsuperscript{414} From FY 2019-20 through FY 2029-30 when the bonds are fully paid off, the City will make bond payments totaling $13.26 million, for an average annual payment on the bonds of approximately $1.25 million.\textsuperscript{415} Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) were $5.78 million in FY 2017-18 (representing 35.1 percent of that year’s covered payroll and 19.3 percent of total general fund spending),\textsuperscript{416} down $0.528 million (8.4 percent) from $6.31 million in FY 2016-17.\textsuperscript{417}

Pacifica’s actuarial consultant projects that the City’s pension contribution costs will increase from FY 2017-18 by $3.42 million (83.6 percent) to $7.51 million by FY 2023-24 and by an additional $1.59 million (20.6 percent) to $9.06 by FY 2027-28.\textsuperscript{418} Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) will increase from FY 2017-18 by $2.91 million (50.3 percent) to $8.69 million by FY 2023-24 and by an additional $1.72 million (19.8 percent) to $10.41 million by FY 2027-28.\textsuperscript{419}

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its budget for FY 2018-19.\textsuperscript{420} In order to find these projected costs online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: https://pacificacityca.iqm2.com/Citizens/Calendar.aspx?From=1/1/2019&To=12/31/2019. (Last accessed on May 20, 2019.) That search would eventually lead to the agenda for a City Council meeting on November 26, 2018.\textsuperscript{421} That agenda includes a heading entitled “2018 Presentation of Pension Costs” under which is a link entitled “Attachment 1 – Bartel Associates – CalPERS Actuarial Issues – 6/30/17 Valuation” which contains the City’s pension cost projections.\textsuperscript{422}

\textsuperscript{412} Pacifica, Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2018, p. 64.
\textsuperscript{413} Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016, pp. 64 & 66.
\textsuperscript{415} Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018, pp. 64 & 66.
\textsuperscript{417} Appendix A. Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2016, pp. 64 & 66.
\textsuperscript{418} Bartel Associates, LLC report to City of Pacifica, November 13, 2018, pp. 12, 21, 30. This report provides projected pension cost data through FY 2029-30.
\textsuperscript{421} Pacifica, Agenda for City Council Meeting on November 26, 2019.
\textsuperscript{422} Bartel Associates, LLC report to City of Pacifica, November 13, 2018, pp. 30, 34, 52, 56, 74, 78 & 82.
Financial Overview – Pacifica

While Pacifica has been able to maintain balanced general fund budgets over the years, it notes that “the slow [revenues] growth rate in Pacifica is not keeping pace with inflationary cost increases...”423 The City highlights two sources of rising cost pressures that are driving long-term general fund budget deficit projections; rising salary and benefits costs in order to compete with other cities for quality employees and rising pension and health care costs.424

If the City does not make substantial expenditure reductions or develop additional revenues, its long-term general fund financial forecast projects that its general fund expenses will exceed revenues by a total of approximately $18 million over the nine years from FY 2019-20 through FY 2027-28. Annual deficits are projected to rise from $1.1 million in FY 2019-20 to $3.55 million in FY 2027-28.425

Pacifica states that, while it is committed to keeping future general fund budgets balanced, “[t]he increasing [budget] gap projected beyond FY 2019-20 is anticipated to be extremely challenging to balance.”426

Additional Payments to CalPERS - Pacifica

Pacifica does not currently have any plans to make additional payments to CalPERS beyond its Annual Required Contribution.427

Pension Reserve Fund - Pacifica

Staff has recommended that the City Council consider establishing a Section 115 Trust and begin funding the trust with one-time revenue sources.428 The City expects to include a transfer of $0.2 million into a Section 115 Trust in the FY 2019-20 budget. It has not put in place a plan for the amounts of any future transfers to the trust in subsequent years but expects that it would consider further contributions if general fund surpluses were available.429

Employee Contribution to City’s Normal Cost – Pacifica

Pacifica has cost-sharing agreements in place with its employees pursuant to which employees pay a portion of the City’s pension contribution costs equal a percentage of their compensation ranging from 2.5 percent up to 5 percent.430

424 Ibid., pp. 2-3 & 5.
427 Email from Pacifica, dated June 10, 2019.
429 Grand Jury interview.
430 Ibid. Email from Pacifica, dated May 22, 2019.
Revenue Enhancement - Pacifica

Pacifica is currently focusing on future economic development, especially the building of new hotels and residences, to help increase revenues and bring down projected future deficits. The City may also consider putting an increase in its 12 percent transient occupancy tax ("hotel tax") before its voters.431

Pension Obligation Bonds - Pacifica

In 2010, Pacifica issued $20.5 million in pension obligation bonds.432 As of the end of FY 2017-18, Pacifica’s remaining payment obligations on the bonds through maturity in FY2029-30 totaled $15 million.433

General Fund Reserves - Pacifica

Pacifica’s general fund balance as of the end of FY 2017-18 was $12.55 million, of which $8.55 million (representing 28.5 percent of general fund expenditures for the year434) was spendable,435 consisting of $1.41 million that is assigned,436 and $7.14 million that is unassigned.437 The City expects that it will need to draw down some of these reserves to close general fund budget deficits in future years.438

Long-Term Financial Forecast - Pacifica

Pacifica has a long-term general fund forecast covering the period from FY 2017-18 through FY 2027-28, which it made available online in connection with its February 25, 2019 City Council meeting regarding a long-term financial plan.439 The City has not included any long-term general fund operating forecast in its FY 2018-19 budget.440 In order to find its long-term general fund forecast online, it is necessary to manually search through agendas for City Council meetings that are available at https://pacificacityca.iqm2.com/Citizens/Calendar.aspx. (Last accessed on May 20, 2019.) That search will eventually lead to the agenda for a meeting held on February 25, 2019, which references a discussion

431 Grand Jury interview.
432 Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018, p. 64.
433 Ibid., pp. 64 & 66.
434 Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018, p. 34.
435 Nonspendable funds ‘include amounts that cannot be spend because they are no in spendable form, or legally or contractually required to be maintained intact. The ‘not in spendable form’ criterion includes items that are not expected to be converted to cash.” Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018, p. 90.
436 "Amounts in the assigned fund balance classification are intended to be used by the City for specific purposes but do not meet the criteria to be classified as restricted or committed. In the General Fund, assigned amounts represent intended uses established by City Council or a City official delegated that authority by City ordinance (City Manager).” Pacifica, Comprehensive Annual Financial Report for Fiscal Year Ended June 30, 2018, p. 91.
438 Grand Jury interview.
entitled “Long Term Financial Plan Update.”\textsuperscript{441} Clicking on the link below that heading entitled ‘Attachment 1: LTFP 2018-2028” leads to the long-term plan.

\textbf{Portola Valley}

\textbf{Pension Contribution Costs – Portola Valley}

Portola Valley’s pension contribution costs in FY 2017-18 were $0.141 million, up $0.025 million (21.7 percent) from $0.116 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 9.3 percent of that year’s covered payroll (up from 8.1 percent the preceding year) and 2.7 percent of its total general fund spending (flat from 2.7 percent the preceding year).\textsuperscript{442}

CalPERS projects that Portola Valley’s pension contribution costs will increase by $0.117 million (83.3 percent) to $0.258 million by FY 2023-24.\textsuperscript{443}

Portola Valley does not prepare any projections for future pension contribution costs and none are included in its FY 2017-18 financial report,\textsuperscript{444} its FY 2018-19 operating budget,\textsuperscript{445} or its FY 2019-20 proposed operating budget.\textsuperscript{446} In order to develop the projected cost numbers through FY 2023-24 reported above, the Grand Jury reviewed CalPERS’ actuarial reports to Portola Valley,\textsuperscript{447} together with supplemental information received directly from the Town via email\textsuperscript{448} and combined the two data sources to generate the projection.

\textbf{Financial Overview – Portola Valley}

Portola Valley reports that its “fiscal condition remains strong.”\textsuperscript{449} The Town reported very robust general fund balances of $4.77 million at the end of FY 2016-17 (representing 109.4 percent of general fund expenses of $4.36 million for the year), rising to $4.92 million at the end of FY 2017-18 (representing 93 percent of general fund expenses of $5.29 million for the year). Unassigned reserves were reported to be $2.68 million in FY 2016-17 (representing 61.5 percent of general fund expenses for the year) and $2.83 million in FY 2017-18 (representing 53.5 percent of general fund expenses for the year).\textsuperscript{450} In addition, the Town projects that it will have an unfunded pension liability reserve funded with a

\textsuperscript{441} The February 25, 2019 City Council meeting agenda can be found at https://pacificnyc.va.com/Citizens/Detail_Meeting.aspx?ID=1359. (Last accessed on May 20, 2019.)

\textsuperscript{442} Appendix A.


\textsuperscript{444} Portola Valley, Basic Financial Statements for the Year Ended June 30, 2018.

\textsuperscript{445} Portola Valley, Adopted Operating & Capital Budgets Fiscal Year 2018-19.

\textsuperscript{446} Portola Valley, Proposed Operating & Capital Budgets, Fiscal Year 2019-20.


\textsuperscript{448} Email correspondence from Portola Valley dated June 18, 2019.

\textsuperscript{449} Portola Valley, Adopted Operating & Capital Budgets Fiscal Year 2018-19, Town Managers transmittal letter to the Town Council, p. I.

balance of $0.712 million in FY 2019-20. Per the Town’s unfunded pension liability reserve policy, this reserved amount will equal the Town’s total unfunded pension liability for FY 2017-18 and represent approximately 38 months of its projected pension contribution costs of $0.220 million as of FY 2019-20.

Additional Payments to CalPERS – Portola Valley
In FY 2014-15, Portola Valley paid CalPERS $0.907 million in order to retire its entire unfunded pension liability at that time. Since then, as a result of returns on CalPERS’ investments being lower than projected by CalPERS, the Town’s has accrued a new unfunded pension liability totaling $0.712 million as of the end of FY 2017-18. Over the course of three to four study sessions beginning in September of 2019, Portola Valley plans to discuss, among other things, how to manage its rising pension costs going forward. While staff has not yet analyzed the possibility of again making additional payments to CalPERS to retire this latest unfunded pension liability, this may be one of the options discussed in those study sessions.

Pension Reserve Fund – Portola Valley
As noted above in the section entitled “Financial Overview – Portola Valley,” the Town’s policy is to maintain a reserve for its unfunded pension liability that equals its total unfunded pension liability amount. The reserve balance was $0.524 million as of the end of FY 2018-19 (equaling the total unfunded pension liability as of the end of FY 2016-17) and will be increased to $0.712 million in FY 2019-20 (equaling the total unfunded pension liability as of the end of FY 2017-18).

During its study sessions scheduled to begin in September 2019, the Town will consider, among other options, whether to move these reserves into a Section 115 pension trust or other outside investment vehicle.

Employee Contribution to City’s Normal Cost – Portola Valley
Portola Valley does not have any cost-sharing agreements in place with its employees under which employees agree to pay a portion of the Town’s pension contribution costs.

451 Grand Jury interview.
452 Ibid.
455 Appendix A.
456 Grand Jury interview.
457 Ibid.
459 Appendix A.
461 Grand Jury interview.
462 Ibid.
Revenue Enhancement – Portola Valley
Since 2016, Portola Valley has not sought voter approval of any revenue enhancement ballot measures and it does not currently have any plans for doing so in the next two years. Staff notes, however, that the Town may evaluate putting ballot measures before its voters for funding of road improvements and/or wildfire risk mitigation in the near future.\textsuperscript{463}

Pension Obligation Bonds – Portola Valley
Portola Valley does not have any outstanding pension obligation bonds.\textsuperscript{464}

General Fund Reserves – Portola Valley
As noted above in the section entitled “Financial Overview - Portola Valley,” the Town reported very robust general fund balances of $4.77 million at the end of FY 2016-17 (representing 109.4 percent of general fund expenses of $4.36 million for the year), rising to $4.92 million at the end of FY 2017-18 (representing 93 percent of general fund expenses of $5.29 million for the year). Unassigned reserves were reported to be $2.68 million in FY 2016-17 (representing 61.5 percent of general fund expenses for the year) and $2.83 million in FY 2017-18 (representing 53.5 percent of general fund expenses for the year).\textsuperscript{465} Unassigned reserves are projected to drop to $1.06 million by the end of FY 2019-20,\textsuperscript{466} but staff notes this is largely due to planned investments in two pedestrian safety enhancements and setting aside funds to meet unfunded retiree medical costs.\textsuperscript{467}

Long-Term Financial Forecast – Portola Valley
To date, Portola Valley has not prepared long-term general fund operating budget forecasts. However, staff expects that in the study sessions beginning in September 2019, the possibility of developing five-year general fund forecasts will be discussed. Staff has not yet considered whether or not any such forecast would, once developed, be included in the Town’s published annual budget.\textsuperscript{468}

Redwood City
Pension Contribution Costs – Redwood City
Redwood City’s pension contribution costs in FY 2017-18 were $18.41 million, up $0.687 million (3.9 percent) from $17.72 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 30.3 percent of that year’s covered payroll (up from 28.5 percent the preceding year) and 14.6 percent of its total general fund spending (down from 15.8 percent the preceding year).\textsuperscript{469}

\textsuperscript{463} Ibid.
\textsuperscript{464} Ibid.
\textsuperscript{467} Grand Jury interview.
\textsuperscript{468} Ibid.
\textsuperscript{469} Appendix A.
The City projects its pension contribution costs will increase by a $19.5 million (106 percent) to $37.9 million by FY 2023-24 and by an additional $3.71 million (9.8 percent) to $41.63 million by FY 2027-28.\footnote{470} Redwood City’s projected pension contribution costs are included in its readily accessible FY 2018-19 budget and FY 2019-20 recommended budget.\footnote{471}

**Financial Overview – Redwood City**

Redwood City faces significant fiscal challenges beginning in FY 2021-22 as substantial projected general fund surpluses in FY 2018-19, FY 2019-20 and FY 2020-21 are projected to turn into large and growing deficits (with an annual deficit of $0.945 million in FY 2022-23 rising to an annual deficit of $17.85 million in FY 2027-28) if significant expense reductions and/or revenue increases are not made.\footnote{472} A major component of these looming deficits is rising pension costs.\footnote{473}

As part of its FY 2017-18 budget, the City adopted a “Financial Sustainability Plan” or “FSP” which includes reducing operating expenses and increasing revenue over the following five years.\footnote{474} Under the FSP, the City had included in its FY 2018-19 budget approximately $3.8 million in operating cost reductions. The City also obtained voter approval for new revenue enhancement measures in 2018 (described in the section entitled “Revenue Enhancement – Redwood City” below). Partly as a result of passage of these measures, the City restored $2.7 million of the planned $3.8 million in planned cost reductions, which included restoration of police department staffing and library hours.\footnote{475}

Redwood City notes that, during FY 2019-20, “the City Council Finance/Audit Subcommittee will be discussing opportunities for the City to increase revenue, among other financial strategies” and that “[m]aintaining the City’s long-term fiscal stability requires meaningful action and a proactive approach to addressing the City’s projected deficit and long-term liabilities through both revenue increases and expenditure reductions over time.”\footnote{476}

**Additional Payments to CalPERS – Redwood City**

Redwood City has been evaluating the option of making additional annual payments to CalPERS beyond its Annual Required Contribution in order to reduce long-term pension

\footnote{470} Redwood City, Recommended Budget Fiscal Year 2019-2020, pp. 26, 29 & 175. The graphs on pages 26 and 175 of this budget include contribution cost projections through FY 2038-39. A table on page 29 of the budget projects pension contribution costs through FY 2045-46.


\footnote{472} Ibid., pp. 166 & 176.

\footnote{473} Grand Jury interview.

\footnote{474} Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 16.

\footnote{475} Ibid.

\footnote{476} Ibid., p. 17.
Staff has estimated that, by paying CalPERS an extra $1.6 million per year over the next 18 years, the City would receive net savings of approximately $6 to $27 million.\textsuperscript{478} If the City made additional annual payments averaging $5.56 million over 15 years, the City’s estimated net savings would be approximately $100 million.\textsuperscript{479}

At its June 10, 2019 meeting, the City Council approved making an additional payment of $0.6 million to CalPERS beyond the City’s Annual Required Contribution out of the FY 2018-19 operating balance.\textsuperscript{480} In addition, staff’s ten-year general fund forecast included in the new FY2019-20 budget includes additional payments of CalPERS of $0.5 million per year through FY 2028-29.\textsuperscript{481}

Staff’s recommendation to the City Council in June 2019 is that, on a going forward basis, the City apply 80 percent of all general fund surpluses to pension funding (a combination of additional payments to CalPERS and transfers to the Section 115 Trust) as long as surpluses last.\textsuperscript{482} Surpluses of $5.23 million and $3.93 million are projected for FY 2019-20 and FY 2020-21.\textsuperscript{483} Putting 80 percent of those into pension funding would result in an additional $4.19 million for pensions in FY 2019-20 and another $3.15 million in FY 2020-21. These general fund surpluses are projected to turn into a deficit of $0.945 million in FY 2021-22 and thereafter to grow each year through FY 2028-29\textsuperscript{484} if new revenues are not found, expense reductions made, or a combination of the two. Accordingly, staff considers FY 2019-20 and FY 2020-21 to be the City’s best window for making substantial progress toward funding future pension cost increases.\textsuperscript{485}

Pension Reserve Fund – Redwood City

In January 2018, Redwood City transferred $10.5 million into a Section 115 pension trust in order to pre-fund future pension payment obligations.\textsuperscript{486} In late calendar 2018 the City decided to put another $0.55 million into the Section 115 trust in FY 2018-19.\textsuperscript{487} At its June 10, 2019 meeting, the City Council approved contributing an additional $3 million to the Section 115 pension trust out of the FY 2018-19 general fund operating balance, which would bring total contributions to date approximately $14.05 million.\textsuperscript{488}

\textsuperscript{477} Grand Jury interview. Redwood City, Staff Memorandum, March 21, 2019, re: Discussion Topics and Staff Recommendations for Meeting on March 25, 2019, pp. 2-5. Redwood City, Recommended Budget Fiscal Year 2019-2020, pp. 27-28.
\textsuperscript{478} Ibid., p. 27.
\textsuperscript{479} Redwood City, Staff Memorandum, March 21, 2019, re: Discussion Topics and Staff Recommendations for Meeting on March 25, 2019, pp. 4-5.
\textsuperscript{480} Email from Redwood City, dated June 18, 2019.
\textsuperscript{481} Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 26.
\textsuperscript{482} Grand Jury interview.
\textsuperscript{483} Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 176.
\textsuperscript{484} Ibid.
\textsuperscript{485} Grand Jury interview.
\textsuperscript{486} Redwood City, Fiscal Year 2018-2019 Adopted Budget, p. 15.
\textsuperscript{487} Grand Jury interview.
\textsuperscript{488} Emails from Redwood City, dated June 18 and June 19, 2019.
In addition, the City’s ten-year general fund budget forecast included in the FY 2019-20 budget contemplates the contribution of an additional $1.1 million per year to the Section 115 pension trust through the ten-year period from FY 2019-20 through FY 2028-29. If made through FY 2028-29, total aggregate contributions to the trust would equal $25.05 million. However, it is possible that the City may begin drawing down some of the Section 115 pension trust balance in the out years of the ten-year forecast to mitigate the impact of rising pension costs, in which case annual contributions of $1.1 million might not continue.

**Employee Contribution to City’s Normal Cost – Redwood City**

Redwood City has negotiated cost-sharing agreements with certain employees bargaining units under which those employees pay a portion of the City’s Normal Costs equal to between 2 percent and 9 percent of their salary. The Grand Jury notes that Redwood City has also made a policy decision not to allow compensation increases to exceed CalPERS’ assumption on cost-of-living increases, thus ensuring that pension costs will not rise faster than projected based on employee pay raises.

**Revenue Enhancement – Redwood City**

In November 2018 Redwood City residents approved a half-cent sales tax increase which is expected to generate approximately $8.7 million per year. Notwithstanding this increase, the City will need to find further substantial revenue enhancements to close the projected its projected general fund budget gap that opens up in FY 2021-22. To the extent it does not, major expense cuts through staffing reductions will have to be made.

**Pension Obligation Bonds – Redwood City**

Redwood City does not have any outstanding pension obligation bonds.

**General Fund Reserves – Redwood City**

Redwood City’s ten-year general fund forecast projects that general fund reserves will increase from $21.4 million at the end of FY 2017-18 (representing 14.7 percent of general fund revenues) to $29.88 million at the end of FY 2019-20 (representing 19 percent of general fund revenues); thereafter dropping by $1.04 million, $4.36 million, $4.67 million, $7.6 million, and $9.31 million during the years from FY 2020-21 through FY 2024-25, at which point reserves will be down to $2.9 million (representing 1.7 percent of general fund

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489 Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 176.
490 Grand Jury interview.
492 Grand Jury interview.
494 Grand Jury interview.
495 Email from Redwood City, dated June 7, 2019.

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revenues). The City’s policies require that general fund reserves not drop below 15 percent of general fund revenues, which is projected to occur by the end of FY 2022-23, unless revenues are increased or expenses reduced.

Long-Term Financial Forecast – Redwood City

Prior to FY 2018-19, Redwood City’s long-term general fund financial forecasting was based on a five-year period. In FY 2018-19, however, the City changed this to a ten-year period. This extension of the forecast period enabled the City Council and public to better understand the longer-term the general fund budget challenges facing the City.

Redwood City included its long-term (five-year) general fund financial forecast in its FY 2018-19 budget and its new ten-year general fund financial forecast is included in the City’s FY 2019-20 budget. Redwood has also added a “Fiscal Update” page to its public website (www.redwoodcity.org/fiscalupdate) (last accessed on June 16, 2019) that the Grand Jury finds to be quite helpful to access key information about Redwood City’s most recent budget.

San Bruno

Pension Contribution Costs – San Bruno

San Bruno’s pension contribution costs in FY 2017-18 were $7.18 million, up $0.832 million (13.1 percent) from $6.34 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 32.2 percent of that year’s covered payroll (up from 28.2 percent the preceding year) and 16.5 percent of its total general fund spending (up from 14.7 percent the preceding year).

In addition to its contribution payments made to CalPERS, the City also makes annual, installment payments on its 2013 pension obligation bonds (originally issued in the principal amount of $13.18 million), which mature in FY 2026-27. It paid $1.18 million on the bonds in FY 2017-18 and will pay approximately the same amount in FY 2018-

496 Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 176.
498 Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 176.
499 Redwood City, Staff Report for City Council Meeting on February 26, 2018 re: FY 2017-18 Mid-Year Budget Study Session and Proposed Process for Development of the FY 2018-19 Budget, p. 16.
501 Grand Jury interview.
503 Redwood City, Recommended Budget Fiscal Year 2019-2020, p. 176.
504 Appendix A.
From FY 2019-20 through FY 2026-27 when the bonds are fully paid off, the City will make average annual payments on the bonds of approximately $0.883 million. Taking bond payments into account, the City’s total payments on account of its pensions (CalPERS and bond payments combined) were $8.35 million in FY 2017-18 (representing 37.5 percent of that year’s covered payroll and 19.3 percent of total general fund spending), up $0.83 million (11 percent) from $7.52 million in FY 2016-17.

The City projects its pension contribution costs will increase from FY 2017-18 by $6.27 million (87.4 percent) to $13.45 million by FY 2023-24. The City does not have pension cost projections for any subsequent years. The City projects its total pension costs (CalPERS and bond payments combined) will increase over FY 2017-18 costs by $6.27 million (75.1 percent) to $14.62 million by FY 2023-24.

The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget. However, the City has now included them in its new FY 2019-20 budget.

Financial Overview – San Bruno
San Bruno describes its overall fiscal condition as “[s]table but not sustainable.” The City notes that it has “[h]ealthy general fund Reserves” but also “[s]ignificant unmet needs” including “[f]ailing infrastructure” and “[r]ising pension and other employee costs.”

The City goes on to explain that “[t]hrough the proposed budget, the City will be able to maintain core service levels as well as make modest enhancements in a few notable areas .... However, the proposed budget reflects tough choices to not enhance needed services due to financial constraints in both the operating and capital budgets. There [are] remaining millions of dollars’ worth of deferred capital improvements and maintenance, and the City is not able to meet the needs and service priorities of the community in several areas – most notably annual roadway rehabilitation and pothole repairs.”

The backlog of deferred maintenance to public infrastructure and future growth in employee costs (both direct

507 The amount San Bruno paid in FY 2017-18 was $1,177,481 and the amount it will pay on the bonds in FY 2018-19 is $1,179,931. San Bruno, Comprehensive Annual Financial Report for the Year Ended June 30, 2018, p. 64.
509 FY 2016-17 debt service payments on the pension obligation bonds totaled $1.18 million (San Bruno, Adopted Fiscal Year 2016-17 Operating and Capital Budget, p. K-5.) FY 2016-17 pension contribution costs are in Appendix A.
510 Emails from San Bruno dated April 22, 2019 and May 6, 2019. These emails contain pension cost projections through FY 2024-25.
511 Email from San Bruno dated May 6, 2019.
compensation and long-term post-employment liabilities) will continue to significantly impact the health of the City’s General Fund. In addition, funding the needed and State-mandates improvements to the City’s stormwater system cannot be accomplished within existing resources and remains a significant financial challenge.”

Not surprisingly, San Bruno emphasizes that it has a “[n]eed for new revenues.” “As discussed above, the Proposed Operating Budget includes viable strategies to balance revenues and expenditures and to assure continuation of all necessary programs and service delivery in the coming year. However, current projections indicated that the practice of using prior year fund balance to supplement annual revenues to cover operating expenditures is not sustainable long-term. Continuing cost increases to support necessary services creates a situation where there is insufficient revenue available to support existing service levels 2 to 3 years into the future.”

Additional Payments to CalPERS – San Bruno
San Bruno is not currently considering making additional payments to CalPERS beyond its Annual Required Contribution. However, staff is developing a set of options for managing rising pension costs that the City Council can discuss.

Pension Reserve Fund – San Bruno
San Bruno has not established any reserves specific to meeting rising pension costs in the future. However, as noted above, staff is developing a set of options for managing rising pension costs that the City Council can discuss.

Employee Contribution to City’s Normal Cost – San Bruno
San Bruno does not have any cost sharing agreements in place with its employees under which employees pay any portion of the City’s pension costs.

Revenue Enhancement – San Bruno
San Bruno recognizes that revenue enhancement is a necessary component for its long-term fiscal sustainability. As part of that process, the City is working to maximize existing revenue streams, by among other things, auditing payments to the City of transient occupancy taxes, property taxes and business license fees to ensure that all amounts due are, in fact, being paid. The City is also tightening up water and waste utility billing.

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517 Ibid., p. A12.
518 Grand Jury interview.
519 Ibid.
520 Ibid.
521 Email from San Bruno dated April 22, 2019.
522 Grand Jury interview. San Bruno, Presentation Slides for City Council Meeting on February 19, 2019 re: Revenue Enhancements City Council Study Session.
processes and significantly expanding the scope of business development impact fees it assesses.\textsuperscript{523}

San Bruno is also currently engaged in a process to identify potential revenue enhancement ballot measures, including a 2 percent increase in its transient occupancy tax (commonly referred to as a “hotel tax”) that could yield annual additional revenues of approximately $0.55 million and an increase of a quarter-cent or half-cent to its sales tax that could yield annual additional revenues of approximately $2 million at the quarter-cent rate and $4 million at the half-cent rate. The City has the option of putting these two possible measures on the ballot in either November 2019 or 2020.\textsuperscript{524}

\textbf{Pension Obligation Bonds – San Bruno}

In January 2013, San Bruno issued pension obligation bonds in the principal amount of $13.18 million\textsuperscript{525} which mature in FY 2026-27.\textsuperscript{526} The City paid $1.18 million on the bonds in FY 2017-18\textsuperscript{527} and will pay approximately the same amount in FY 2018-19.\textsuperscript{528} From FY 2019-20 through FY 2026-27 when the bonds are fully paid off, the City will make average annual payments on the bonds of approximately $0.883 million.\textsuperscript{529}

\textbf{General Fund Reserves – San Bruno}

As of June 30, 2018, San Bruno had a general fund reserve of $11.25 million\textsuperscript{530} The City projects that this reserve will increase to $12.09 million as of June 30, 2019,\textsuperscript{531} and to $12.77 million as of June 30, 2020.\textsuperscript{532} The City’s goal is to maintain this reserve of at least 25 percent of general fund expenditures and City policy requires that the balance not fall below 15 percent of general fund operating expenditures except upon a declaration of emergency.\textsuperscript{533} The June 30, 2018 general fund reserve balance was 25.9 percent of the $43.4 million in FY 2017-18 general fund expenditures.\textsuperscript{534}

\begin{flushleft}
\textsuperscript{523} Grand Jury interview.
\textsuperscript{524} San Bruno, Presentation Slides for City Council Meeting on February 19, 2019 re: Revenue Enhancements City Council Study Session, p. 27.
\textsuperscript{525} San Bruno, Adopted 2018-19 Operating and Capital Budget, p. 436.
\textsuperscript{527} San Bruno, Adopted Operating Budget for Fiscal Year 2017-18 and Adopted Capital Improvement Program for Fiscal Years 2017-18 Through 2021-22, p. 194.
\textsuperscript{528} The amount San Bruno paid in FY 2017-18 was $1,177,481 and the amount it will pay on the bonds in FY 2018-19 is $1,179,931. San Bruno, Comprehensive Annual Financial Report for the Year Ended June 30, 2018, p. 64.
\textsuperscript{529} San Bruno, Comprehensive Annual Financial Report for the Year Ended June 30, 2018, p. 64.
\textsuperscript{530} Ibid., p. 72.
\textsuperscript{531} San Bruno, Adopted 2018-19 Operating and Capital Budget, p. 5 of Citywide Summary of Funds.
\textsuperscript{532} San Bruno, Proposed FY 2019-20 Operating and Capital Budget, p. 5 of Citywide Summary of Funds.
\end{flushleft}
San Bruno projects that it will incur general fund operating budget deficits of $2.09 million in FY 2018-19 and $0.376 million in FY 2019-20, which will be funded out of the FY 2017-18 general fund balance.

**Long-Term Financial Forecast – San Bruno**

San Bruno has noted that, in order to “[d]evelop a comprehensive understanding of the financial pressures and constraints on the City’s general fund, today and in the foreseeable future” it needs to “[d]evelop a ten-year operating budget forecast (general fund revenues and expenses).”

Prior to its just-released FY 2019-20 proposed budget San Bruno had not previously prepared any long-term general fund financial forecasts. However, staff has now added a five-year general fund operating budget forecast to their budget. As part of the City’s “Fiscal Sustainability Plan,” staff plans to extend that to a ten-year period. No date has yet been set for staff to deliver that longer forecast.

**San Carlos**

**Pension Contribution Costs – San Carlos**

San Carlos’ contribution payments to CalPERS in FY 2017-18 were $9.7 million, up $7.47 million (334 percent) from $2.24 million in FY 2016-17. However, $6 million of the FY 2017-18 payment reflected one-time additional payments that San Carlos made to CalPERS beyond its Annual Required Contribution. San Carlos’ Annual Required Contribution in FY 2017-18 was $3.7 million, up $1.46 million (65.2 percent) from $2.24 million in FY 2016-17. The City’s FY 2017-18 total contribution payments represented 86.9 percent of that year’s covered payroll of $11.17 million (up from 20.2 percent the preceding year) and 22.8 percent of its total general fund spending of $42.5 million (up from 6.7 percent the preceding year). However, the City’s total Annual Required Contribution for the year represented only 33.1 percent of that year’s covered payroll and 8.7 percent of its total general fund spending.

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537 San Bruno, Presentation Slides for City Council Meeting on November 27, 2018 re: Fiscal Sustainability Study Session – Presentation on the Scope of Work for a Comprehensive Fiscal Sustainability Project, Slide 11.
539 San Bruno, Adopted 2018-19 Operating and Capital Budget.
540 San Bruno, Proposed FY 2019-20 Operating and Capital Budget, pp. 6-8 of Citywide Summary of Funds.
541 Grand Jury interview.
542 Appendix A.
543 See, more detailed discussion below in Section entitled “Additional Payments to CalPERS – San Carlos”.
544 Appendix A.
The City projects its pension contribution costs will increase from FY 2017-18 (excluding the $6 million additional payment) by $2.8 million (63.6 percent) to $6.5 million by FY 2023-24 and by an additional $0.5 million (7.7 percent) to $7 million by FY 2027-28.\textsuperscript{545} The City’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-2020 budget.\textsuperscript{546} In order to find these projected costs online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: sancarlosea.iqm2.com/Citizens/Default.aspx (last accessed on June 5, 2019.) That search would eventually lead to the agenda for its meeting on April 9, 2018,\textsuperscript{547} which has a link entitled “a. Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the California Public Employees Retirement System (CalPERS) Unfunded Pension Liability in the Amount of $5 Million, and Funding the Other Post Employment Benefit Trusts: California Employers' Retirement Benefit Trust (CERBT) in the Amount of $1 Million and Public Agency Retirement Services (PARS) in the Amount of $1 Million.” which takes the reader to the City’s April 9, 2018 staff report that contains a graph with the projected costs.\textsuperscript{548}

Financial Overview – San Carlos

San Carlos’ five-year general fund forecast projects steadily increasing revenues (including net transfers to the general fund) from $44.35 million in FY 2018-19 to $49.33 million in FY 2022-23, and also rising expenses from $44.3 million in FY 2018-19 to $48.6 million in FY 2022-23.\textsuperscript{549} The City projects modest operating surpluses in the general fund totaling $3.95 million over the five-year period FY 2018-19 through FY 2022-23.\textsuperscript{550}

Additional Payments to CalPERS – San Carlos

San Carlos made an additional one-time payment to CalPERS of $5 million beyond its Annual Required Contribution in FY 2017-18.\textsuperscript{551} Staff projects this will result in

\textsuperscript{545} San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 3. The report contains pension cost projections through FY 2047-48.


\textsuperscript{547} San Carlos, Agenda for City Council Meeting on April 9, 2018.

\textsuperscript{548} San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 3.

\textsuperscript{549} San Carlos, 2018 – 2020 Adopted Budget, p. 53.

\textsuperscript{550} Ibid. Email from San Carlos, dated June 11, 2019.

\textsuperscript{551} San Carlos, 2018 – 2020 Adopted Budget, p. 23. Grand Jury interview. San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 1.
contribution cost reductions of $0.515 million per year for 18 years. The City also made
$1 million one-time payment to PARS at that time, which staff projects will result in
savings of approximately $0.06-$0.07 million per year for 18 years.

The City expects to decide in November 2019, after receipt of audited FY 2018-19
financials, on whether to make a further additional payment to CalPERS and also whether
to increase the amount of its “Unfunded Liabilities” reserve for pension costs. The City
notes that its preference is making additional payments to CalPERS beyond the minimum
requirements rather than holding money in a reserve because only the former actually
reduces long-term pension costs.

Pension Reserve Fund – San Carlos
San Carlos has transferred $1 million into a Section 115 Trust through PARS to help pay
for future PARS pension costs.

In addition, as of end of FY 2017-18 San Carlos had a $2 million “Unfunded Liabilities”
reserve for use in managing pension costs. The City expects to decide in November
2019, after receipt of audited FY 2018-19 financials, on whether/how much to increase this
reserve amount.

Employee Contribution to City’s Normal Cost – San Carlos
San Carlos is not currently considering asking its employees to pay a portion of the City’s
pension costs. The City does not pay any portion of employees’ pension costs.

Revenue Enhancement – San Carlos
San Carlos is not currently evaluating the possibility of bringing forward any revenue
enhancement ballot measures.

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552 San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 1.
553 San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 4.
554 Grand Jury interview.
555 San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 4.
557 Grand Jury interview.
558 Ibid.
559 Email from San Carlos, dated June 11, 2019.
Pension Obligation Bonds – San Carlos
San Carlos does not have any outstanding pension obligation bonds.\textsuperscript{560}

General Fund Reserves – San Carlos
As of the end of FY 2017-18, San Carlos had a general fund ending balance of $29.6 million, of which $6.23 million were in an “Economic Uncertainty” reserve, $7.69 million were in a reserve for “Strategic Property Acquisition,” $2 million were in a “PG&E Community Endowment,” $2 million were in the “Unfunded Liabilities” reserve, $7.84 million were in “Facility/Infrastructure Reserves,” $3.17 million were unassigned and $0.61 million were not spendable.\textsuperscript{561}

San Carlos notes that the Government Finance Officers Association (“GFOA”) “best practice” recommendation is that unrestricted general fund balances be, at a minimum, equal to two months (16.7 percent) of regular general fund operating revenues or expenses.\textsuperscript{562} The City’s unrestricted general fund balance at the end of FY 2017-18 was $29.55 million, an amount equal to 69.5 percent of general fund expenditures of $42.49 million.\textsuperscript{563} In its FY 2018-20 budget, the City projected that the general fund balance at the end of FY 2018-19 would be $22.12 million (47.6 percent of expenditures of $44.32 million), $21.81 million at the end of FY 2019-20 (49.1 percent of projected expenditures of $44.43 million), $22 million at the end of FY 2020-21 (49.4 percent of projected expenditures of $44.5 million), $21.27 million at the end of FY 2021-22 (45.7 percent of projected expenditures of $46.54 million), and $20.04 million at the end of FY 2022-23 (41.3 percent of projected expenditures of $48.56 million).\textsuperscript{564}

San Carlos’ policy is that its Economic Uncertainty reserve not be allowed to drop below 12.5 percent of general fund expenditures, but the City notes that a balance of 20 percent is “highly desirable.”\textsuperscript{565} As of the end of FY 2017-18, the Economic Uncertainty reserve balance was $6.23 million,\textsuperscript{566} representing 14.7 percent of general fund expenditures of $42.49 million for the year.\textsuperscript{567}

\textsuperscript{560} Ibid.
\textsuperscript{561} San Carlos, Staff Report for City Council Meeting on November 13, 2018 re: Consideration of Adopting a Resolution Approving the General Fund Balance Reserve Allocations, p. 3.
\textsuperscript{562} San Carlos, Staff Report for City Council Meeting on March 12, 2018 re: Report to Council on the City’s Reserves, Unfunded Pension Liabilities and Unfunded Capital Projects, p.1.
\textsuperscript{564} San Carlos, 2018 – 2020 Adopted Budget, pp. 63.
\textsuperscript{565} San Carlos, Staff Report for City Council Meeting on November 13, 2018 re: Consideration of Adopting a Resolution Approving the General Fund Balance Reserve Allocations, p.3.
\textsuperscript{567} Ibid.
During FY 2017-18, San Carlos withdrew $7 million out of existing general fund reserves in order to make a one-time $5 million additional payment to CalPERS, and to transfer $1 million into a pension trust and $1 million into a trust for OPEB liabilities.\textsuperscript{568}

**Long-Term Financial Forecast – San Carlos**
San Carlos’ long-term general fund financial planning is based on a five-year forecast period. The City includes its long-term general fund forecast in its 2018 – 2020 budget.\textsuperscript{569}

**San Mateo**

**Pension Contribution Costs – San Mateo**
San Mateo’s pension contribution costs in FY 2017-18 were $19.7 million, up $0.787 million (4.2 percent) from $18.91 million in FY 2016-17.\textsuperscript{570} The City’s FY 2017-18 pension contribution costs represented 31.2 percent of that year’s covered payroll (down from 32.2 percent the preceding year) and 17.7 percent of its total general fund spending (down from 18.2 percent the preceding year).\textsuperscript{571}

San Mateo’s actuarial consultant (Bartel Associates, LLC) projects its pension contribution costs will increase from the FY 2017-18 number by $11.7 million (59.4 percent) to $31.4 million by FY 2023-24 and by an additional $4.65 million (14.8 percent) to $36.06 million by FY 2027-28.\textsuperscript{572}

San Mateo’s projected pension contribution costs are not included in its FY 2017-18 CAFR, or in its budgets for FY 2017-18 or FY 2018-20,\textsuperscript{573} and the projections by its actuarial consultant (Bartel Associates, LLC) are not published by the City on its website.\textsuperscript{574} The Grand Jury obtained a copy of the Bartel report through a document request to the City. The City does include projected general fund pension costs in its budgets and in its FY 2018-20 budget through FY 2028-29.\textsuperscript{575} While general fund pension costs do not represent the San Mateo’s total pension costs, they do represent a large majority of the costs and the inclusion of the general fund cost information is helpful to an understanding of the impact of rising pension costs on the City. The Grand Jury’s review of online agenda

\textsuperscript{568} San Carlos, 2018 – 2020 Adopted Budget, pp. 63-64. San Carlos, Staff Report for City Council Meeting on April 9, 2018 re: Consideration of Adopting a Resolution Authorizing the City Manager to Transfer $7 Million from the Unfunded Liability Reserve to Pay Down the [CalPERS] Unfunded Pension Liability in the Amount of $5 Million, p. 1.

\textsuperscript{569} San Carlos, 2018 – 2020 Adopted Budget, pp. 63-64. The City also included a general fund forecast through FY 2020-21 in its 2017-18 Adopted Budget, p. 32.

\textsuperscript{570} Appendix A.

\textsuperscript{571} Ibid.

\textsuperscript{572} Bartel Associates, LLC report to City of San Mateo, October 25, 2019, pp. 28 & 46. This report contains pension cost projections through FY 2029-30.


\textsuperscript{574} Email from San Mateo, dated June 12, 2019.

packages from San Mateo City Council meetings on the City’s website at: https://cosm.legistar.com/Calendar.aspx (last accessed on June 12, 2019) also yielded an link to the January 22, 2019 City Council meeting agenda that provides pension cost projects for the City as a whole (not limited to costs to the general fund) through FY 2029-30.

**Financial Overview – San Mateo**

In February 2018, San Mateo noted that “the City is currently in a strong financial position” but that “the long-term financial plan [is] out of structural balance, primarily due to rising pension costs and competing demands for general fund resources.”576

Staff notes that, under the City’s current long-term plan, “funding for all resource demands is not entirely sustainable.”577 The plan contemplates that the City will have to make annual net reductions in general fund spending of approximately $2.32 million each year throughout the plan period in order to absorb rising pension costs and keep the current 25 percent operating reserve and housing reserve at policy levels.578 (See, discussion of “General Fund Reserves – San Mateo” below.)

**Additional Payments to CalPERS – San Mateo**

San Mateo made the following additional payments to CalPERS beyond its Annual Required Contributions: $1.38 million in FY 2016-17, and $1.4 million in FY 2017-18. The City also made a $1.63 million additional payment in FY 2018-19, for a total over all three years of $4.41 million.579

San Mateo’s current plan is to apply 50 percent of future ERAF refunds toward making further additional payments to CalPERS beyond its Annual Required Contributions.580 Staff expects the City’s ERAF refund to be approx. $4 - $5 million per year over the next ten years,581 and it projects annual additional payments to CalPERS of approximately $2 million per year. The City’s current projection is that application of 50 percent of projected ERAF refunds toward additional pension payments to CalPERS over the course of the period from FY 2019-20 through FY 2029-30 would yield total additional payments of $22.8 million.582 Staff has not presented the City Council with any data on projected, long-term pension savings to be realized from these additional payments.583

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577 San Mateo, Proposed 2019-20 Budget, p. 54.
578 Ibid., pp. 44-45 & 54.
581 Grand Jury interview.
582 Email from San Mateo, dated June 12, 2019. Grand Jury interview.
583 Ibid.
Pension Reserve Fund – San Mateo
San Mateo does not currently plan to create a pension stabilization reserve because setting aside funds in a reserve does not reduce long-term pension costs.584

Employee Contribution to City’s Normal Cost – San Mateo
San Mateo has cost-sharing agreements in place with employees under which they agree to pay a portion of the City’s pension costs.585 The City does not currently expect to ask employees to pay any greater portion of pension contribution costs in the future.586

Revenue Enhancement – San Mateo
San Mateo’s City Council has directed staff to poll San Mateo voters on their support for revenue enhancement ballot measures, including increasing the City’s transient occupancy tax (“hotel tax”) rate, the business tax rates and/or the real property transfer tax rate.587 The City notes that it is exploring tax increase measures for the November 2020 ballot.588

Pension Obligation Bonds – San Mateo
San Mateo does not have any outstanding pension obligation bonds.589

General Fund Reserves – San Mateo
San Mateo’s general fund reserves are projected to decrease from $75.5 million in FY 2017-18 to $58.35 million in FY 2029-30, while remaining reserves (net of the City’s 25 percent operating reserve and its housing reserve) decrease from $44.76 million in FY 2017-18 to zero by FY 2029-30.590 The City’s policy is to maintain a reserve of 25 percent of budgeted general fund operating expenditures,591 which will have to be increased from $26.84 million in FY 2017-18 to $40 million in FY 2029-30 in order to remain at 25 percent of projected expenditures, while the amount of the City’s housing reserve is projected to increase from $3.9 million in FY 2017-18 to $18.41 in FY 2029-30.592

Staff notes that under the City’s current long-term plan, “funding for all resource demands is not entirely sustainable.”593 The plan contemplates that the City will have to make net reductions in general fund expenditures of approximately $2.32 million per year from FY 2020-21 through FY 2029-30 in order to maintain its 25 percent operating reserve and the housing reserve at policy levels,594 and even with such net reductions, the remaining

584 Ibid.
586 Grand Jury interview.
587 Email from San Mateo, dated June 12, 2019.
589 Email from San Mateo, dated June 13, 2019.
593 Ibid., p. 54.
594 Ibid., pp. 44-45 & 54.
reserves described above will be drawn down from $44.76 million in FY 2017-18 to zero in FY 2029-30.595

Long-Term Financial Forecast – San Mateo
San Mateo’s general fund long-term financial forecasting is based on a ten-year period. The City included this long-term forecast in its readily-accessible FY 2017-18 and FY 2019-20 budgets.596

South San Francisco
Pension Contribution Costs - South San Francisco
South San Francisco’s pension contribution costs in FY 2017-18 were $15.49 million, up $2.19 million (16.5 percent) from $13.3 million in FY 2016-17. The City’s FY 2017-18 pension contribution costs represented 34 percent of that year’s covered payroll (up from 27.2 percent the preceding year) and 16 percent of its total general fund spending (up from 14.4 percent the preceding year).597

The City projects its pension contribution costs will increase by at least $9.42 million (60.8 percent) to $24.91 million by FY 2023-24 and by an additional $2.51 million (10.1 percent) to $27.42 million by FY 2027-28.598

The City’s projected, annual pension contribution costs are not included in its FY 2017-18 CAFR, or in its FY 2018-19 budget.599 In order to find these projected costs online, it is necessary to manually search through City Council meeting agenda packages, which can be accessed at the following website: https://ci-ssf-ca.legistar.com/Calendar.aspx. (Last accessed on June 8, 2019.) That search would eventually lead to agenda information about the September 26, 2018 City Council meeting at https://ci-ssf-ca.legistar.com/MeetingDetail.aspx?ID=621621&GUID=3C2F6C1E-F701-4040-8E44-2DAB2DBCF52D&Options=info&Search (last accessed on June 8, 2019), a staff report for that meeting regarding pensions600 and a set of pension contribution projections

596 Ibid., pp. 44-45.
597 Appendix A.
598 Attachment 4 to South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. This report contains pension cost data through FY 2027-28. The City also has pension cost projections going out to FY 2045-46 that were prepared for a September 26, 2018 City Council meeting. They are Attachment 2 to the Staff Report for the September 26, 2018 City Council meeting re: Report regarding a resolution approving and authorizing the City Manager to sign a response to the San Mateo County Grand Jury Report “Soaring City Pension Costs – Time for Hard Choices.”
600 South San Francisco, Staff Report for City Council meeting on September 26, 2018 re: Report regarding a resolution approving and authorizing the City Manager to sign a response to the San Mateo County Grand Jury Report “Soaring City Pension Costs – Time for Hard Choices.”
attached to that report as "Attachment 2." The search of the City’s online City Council meeting agendas would also eventually lead to information about the April 9, 2019 City Council meeting at [https://cissf-ca.legistar.com/MeetingDetail.aspx?ID=683321&GUID=18367370-F11F-4D7B-9D54-5050862A9304&Options=info&Search=](https://cissf-ca.legistar.com/MeetingDetail.aspx?ID=683321&GUID=18367370-F11F-4D7B-9D54-5050862A9304&Options=info&Search=) (last accessed on June 8, 2019) a staff report for that meeting regarding, among other things, pensions, and a set of pension contribution projections attached to that report as "Attachment 10." In response to this paragraph, the City points out that "The City’s current unfunded liability of $179 million and the apex of annual pension payments of $29 million in FY 2028-29 can be found on the City’s website [www.ssf.net.department/finance](http://www.ssf.net.department/finance)."

**Financial Overview – South San Francisco**

South San Francisco city staff does not believe that rising future pension costs represent a major financial issue for the City. Staff believes the City is in a strong financial position with solid future revenue growth.

The City projects general fund revenues increasing from $109.05 million in FY 2018-19 to $127.38 million in FY 2023-24, to $141.68 million in FY 2027-28. The City further projects that its general fund reserves will increase from $21.21 million at the end of FY 2018-19 to $25.12 in FY 2023-24, to $27.98 million in FY 2027-28.

**Additional Payments to CalPERS - South San Francisco**

South San Francisco is not currently considering making any additional payments to CalPERS beyond its Annual Required Contribution. When staff last investigated this possibility, it concluded that an additional payment of at least $10 million would be required to significantly reduce future pension costs.

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501 South San Francisco, Attachment 2 – Pension Contributions 2016-2046, linked to Staff Report for City Council meeting on September 26, 2018.
502 South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
503 South San Francisco, Attachment 4 to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
504 Email from South San Francisco, dated June 14, 2019.
505 Grand Jury interview.
506 Attachment 8, p. 1 to South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
507 Attachment 8, p. 2 to South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
508 Grand Jury interview.
Pension Reserve Fund - South San Francisco

As of the end of FY 2017-18 South San Francisco had allocated $4.5 million to an internal pension stabilization reserve.\(^{609}\) The City plans to transfer another $1 million to this fund in FY 2019, bringing the total to $5.5 million.\(^{610}\)

Staff’s recommendation to the City Council in November 2018 was to move this $5.5 million to a Section 115 Trust\(^{611}\) in order to earn higher returns on these funds that the City’s internal funds earn.\(^{612}\) However, City Council members expressed concerns about the loss of control over the funds entailed by putting them in a Section 115 Trust.\(^{613}\) In April 2019 staff instead recommended a plan for managing rising future pension costs consisting of: (a) expanding the City’s revenue and tax base, (b) considering transferring a portion of any future general fund surplus to the internal pension reserve, (c) lowering the City’s pension cost through continued and expanded cost-sharing with employees, and (d) continuing to explore the possibility of a Section 155 trust.\(^{614}\)

Staff’s recommendation to council is also, beginning in FY 2022-23, and “depending on available funds,” to contribute an additional $1 million per year to the pension trust fund.\(^{615}\)

Employee Contribution to City’s Normal Cost - South San Francisco

South San Francisco has cost-sharing agreements in place with safety employees under which those employees will pay a portion of the City’s pension costs equal to 3 percent of their salary.\(^{616}\) In FY 2020 labor negotiations, the City expects to negotiate for employees to take on a greater share of pension costs.\(^{617}\)

Revenue Enhancement - South San Francisco

In November 2018, South San Francisco residents approved revenue enhancement ballot measures to increase its transient occupancy tax (“TOT” and sometimes referred to as the

\(^{609}\) South San Francisco, Adopted Operating Budget for Fiscal Year 2018-19, p. B-5.

\(^{610}\) Grand Jury interview. South San Francisco, Slide presentation for City Council meeting on November 14, 2018 re: Fiscal Year 2017-18 Year-End Results, Attachment 4 to the Staff Report for City Council meeting on November 14, 2018 re: Report regarding resolution accepting the financial results for the fiscal year ended June 30, 2018, and approving Budget Amendment 18.034., slides 2 & 7.

\(^{611}\) South San Francisco, Slide presentation for City Council meeting on November 14, 2018 re: Pension Study Session, Attachment 10 to the Staff Report for City Council meeting on November 14, 2018 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs, slide 16.

\(^{612}\) Grand Jury interview.

\(^{613}\) Ibid.

\(^{614}\) South San Francisco, Presentation Slides for Pension Study Session on April 9, 2019, Attachment 10 to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs, slides 15 & 16.

\(^{615}\) South San Francisco, Slide presentation for City Council meeting on November 14, 2018 re: Pension Study Session, Attachment 10 to the Staff Report for City Council meeting on November 14, 2018 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs, p. 16.

\(^{616}\) South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs, pp. 5-6.

\(^{617}\) Grand Jury interview.
“hotel tax”) (Measure FF) and to impose a business license tax on commercial cannabis operations (Measure LL). Measure FF is projected to increase revenues by approximately $5.9 million per year. The City is not currently planning on putting any new revenue enhancement ballot measures before voters in the near future.

Pension Obligation Bonds – South San Francisco

South San Francisco does not have any outstanding pension obligation bonds.

General Fund Reserves - South San Francisco

South San Francisco’s general fund unassigned reserves balance at the end of FY 2017-18 was $19.64 million, which represented 16.5 percent of the City’s $118.87 million in general fund revenues for the year. The City’s reserve policy is to have general fund unassigned reserves equal to between 15 percent and 20 percent of general fund operating revenues.

The City projects general fund revenues in FY 2018-19 of $109.05 million and that these revenues will increase to $127.38 million in FY 2023-24, and to $141.68 million in FY 2027-28. The City further projects that its general fund reserves will increase from $21.21 million (representing 19.5 percent of operating expenses) at the end of FY 2018-19 to $25.12 million (representing 19.7 percent of operating expenses) in FY 2023-24, to $28.98 million (representing 19.7 percent of operating expenses) in FY 2027-28.

Long-Term Financial Forecast – South San Francisco

South San Francisco’s long-term financial forecasting period is 10 years. The City’s long-term financial forecast is not included in its FY 2018-19 budget. In order to find its forecast online, it is necessary to manually search agenda packages from the City Council calendar of meetings (listed at https://ci-ssf-ca.legistar.com/Calendar.aspx) for references to budgets and/or forecasts. That search of the City’s online City Council meeting agendas

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618 Ballotpedia, Local Ballot Measures, South San Francisco, California, Measure FF, Hotel Tax Increase (November 2018).
619 Ballotpedia, Local Ballot Measures, South San Francisco, California, Measure LL, Marijuana Business Tax (November 2018).
620 South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs, p. 6.
621 Email from South San Francisco, dated June 14, 2019.
623 Ibid., p. 36.
624 Ibid., p. 74.
625 Attachment 8, p. 1 to South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
626 Attachment 8, p. 2 to South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.
627 South San Francisco, Adopted Operating Budget for Fiscal Year 2018-19.
628 Last accessed on May 10, 2019.
would eventually lead to information about the April 9, 2019 City Council meeting at https://ci-ssf-ca.legistar.com/MetingDetail.aspx?ID=633321&GUID=18367370-F11F-4D7B-9D54-5050862A9304&Options=info&Search= (last accessed on June 8, 2019) a staff report for that meeting regarding, among other things, pensions, and a general fund ten-year forecast attached to that report as “Attachment 8.”

Woodside

**Pension Contribution Costs - Woodside**

Woodside’s pension contribution costs in FY 2017-18 were $0.39 million, up $0.067 million (20.8 percent) from $0.323 million in FY 2016-17. The Town’s FY 2017-18 pension contribution costs represented 18.8 percent of that year’s covered payroll (up from 16.2 percent the preceding year) and 5.7 percent of its total general fund spending (up from 4.8 percent the preceding year).

The Town projects its pension contribution costs will increase by $0.316 million (81.2 percent) to $0.706 million by FY 2023-24 and by an additional $0.152 million (21.6 percent) to $0.859 million by FY 2027-28.

The Town’s projected pension contribution costs are not included in its FY 2017-18 financials, its FY 2018-19 budget, or its FY 2019-21 budget, nor was the Grand Jury able to find them in any report that is included in City Council meeting agenda packages from January 1, 2018 to June 15 2019. While the Town’s operating budget forecasts contained in its FY 2018-19 budget and FY 2019-21 budget set forth combined annual cost projections for CalPERS and “Retiree Health Benefits,” the CalPERS costs – on a standalone basis – cannot be determined from this.

**Financial Overview – Woodside**

Woodside views its financial health as good. The Town projects ending FY 2018-19 with a general fund balance of $7.89 million; equal to 95.5 percent of its projected general fund revenues of $8.24 million for the year and it reports that this allows it the luxury of being able to think long-term.

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630 South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.

631 South San Francisco, Attachment 8 (General Fund 10-year forecast $1M contribution to CalPERS) to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs.

632 Appendix A.

633 Ibid.

634 Appendix A. Email from Woodside dated May 23, 2019.

635 Woodside, Annual Financial Report for the Fiscal Year Ended June 30, 2018

636 Woodside, Adopted Budget Fiscal Year 2018-19.

637 Woodside, Proposed Budget Fiscal Years 2019-21


640 Grand Jury interview.
Additional Payments to CalPERS - Woodside

Woodside does not currently have any plan to make additional payments to CalPERS in excess of its Annual Required Contribution.\textsuperscript{641}

Pension Reserve Fund - Woodside

On March 26, 2019, Woodside’s staff recommended to the City Council that the Town establish a Section 115 Trust for the purpose of helping cushion the budgetary impact of future pension costs increases and “that the upcoming budget include funds to be contributed to the Section 115 trust.”\textsuperscript{642} The Town plans to contribute a total of $1.8 million to the trust over the next three fiscal years.\textsuperscript{643}

Employee Contribution to City’s Normal Cost - Woodside

Woodside does not have any agreements in place with its employees under which they pay for any portion of the Town’s pension obligations.\textsuperscript{644}

Revenue Enhancement - Woodside

Woodside does not currently have any plans for seeking voter approval of any revenue enhancement measures.\textsuperscript{645}

Pension Obligation Bonds - Woodside

Woodside does not have any outstanding pension obligation bonds.\textsuperscript{646}

General Fund Reserves - Woodside

Woodside currently projects cumulative general fund budget deficits of $3.71 million over the ten years from FY 2018-19 to FY 2027-28 (an average of $0.371 million each year).\textsuperscript{647} Over that same period, Woodside’s general fund balance is projected to drop from $7.89 million in FY 2018-19 (representing 95.5 percent of general fund operating revenues that year) to $3.68 million in FY 2027-28 (representing 33.6 percent of general fund revenues that year).\textsuperscript{648}

Long-Term Financial Forecast – Woodside

Woodside included a five-year general fund operating budget forecast in its FY 2018-19 budget.\textsuperscript{649} The Town has now developed a ten-year general fund operating budget forecast.

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\textsuperscript{641} Ibid.
\textsuperscript{642} Woodside, Report to Town Council for meeting on March 26, 2019 re: Discussion of the Town’s Pension Obligations and Direction to Staff Regarding an Approach to Address the Obligations, p. 3.
\textsuperscript{643} Woodside, Proposed Budget Fiscal Years 2019-21, June 3, 2019 letter of transmittal from City Manager, p. ii.
\textsuperscript{644} Email from Woodside, dated June 14, 2019.
\textsuperscript{645} Grand Jury interview.
\textsuperscript{646} Ibid.
\textsuperscript{647} Woodside, Proposed Budget Fiscal Years 2019-21, Budget Overview, p. 8.
\textsuperscript{648} Ibid.
\textsuperscript{649} Woodside, Adopted Budget Fiscal Year 2018-19, p. 6.
for the first time and it is incorporated into the Town’s readily-accessible FY 2019-21 budget.650

FINDINGS

Important explanatory note for the Cities in responding to the Findings: Each City is to respond to each Finding solely with respect to itself and not with regard to any other City.

Data Set Forth in Appendix A

F1. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined covered payroll for the City’s pension plans for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 in the amounts set forth beside its name for that year in Appendix A.

F2. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined contribution payments to CalPERS on the City’s pension plans for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 in the amounts set forth beside its name for that year in Appendix A.

F3. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined Unfunded Liabilities (as defined in this report) for the City’s pension plans for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 in the amounts set forth beside its name for that year in Appendix A. Each City has been required to make large Amortization Cost (as defined in this report) payments of principal and interest to CalPERS on those Unfunded Liabilities. These payments have diverted money that could otherwise have been used to provide public services or to add to reserves.

F4. Each City’s audited annual financial report for the fiscal year ending June 30, 2018 reported combined Funded Percentages (as defined in the prior report) for the City’s pension plans for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 in the amounts set forth beside its name for that year in Appendix A.

F5. Each City’s audited annual financial report for the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018 reported what the combined Unfunded Liabilities (as defined in the prior report) for the City’s pension plans for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 would have been if the applicable Discount Rate applied to calculate them had been one percentage point lower in the amount set forth beside its name for that year in Appendix A.

F6. Each City’s audited annual financial report for the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017, and June 30, 2018 reported general fund total expenditures

650 Woodside, Proposed Budget Fiscal Years 2019-21, Budget Overview, p. 8.
for each of FY 2014-15, FY 2015-16, FY 2016-17 and FY 2017-18 in the amounts set forth beside its name for that year in Appendix A.

F7. In each of the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018, each City’s combined contribution payments to CalPERS on the City’s pension plans represented the percentage of that City’s general fund total expenditures for that year set forth beside its name for that year in Appendix A in the column entitled “Contribution Payments as % of General Fund Total Expenditures.”

F8. In each of the fiscal years ending June 30, 2015, June 30, 2016, June 30, 2017 and June 30, 2018, each City’s combined contribution payments to CalPERS on the City’s pension plans represented the percentage of that City’s combined covered payroll for the City’s pension plans in the amount set forth beside its name for that year in Appendix A in the column entitled “Contribution Rate (i.e., Contribution Payments as % of Covered Payroll).”

Projections of Future City Pension Costs

F9. Each of Colma, Daly City, Foster City, Hillsborough, and Redwood City includes in its annual, or bi-annual budgets published on its public website, projections showing the annual dollar amount of its projected pension contribution costs for the next five or more years. None of the other Cities do so.

F10. Neither Atherton, Brisbane, nor Portola Valley have published, anywhere on their public website or their agenda packages for city council meetings, projections showing the annual dollar amount of their projected pension contribution costs for the next five or more years.

F11. The only way to find projections showing the annual dollar amount of the following Cities’ projected pension contribution costs for the next five or more years on their public websites is by manually searching through agenda packages for their city council meetings: Belmont, Burlingame, East Palo Alto, Half Moon Bay, Menlo Park, Millbrae, Pacifica, San Bruno, San Carlos, San Mateo, South San Francisco and Woodside.

Long-Term Financial Forecasts

F12. Each of Colma, Daly City, Hillsborough, Menlo Park, Pacifica, Redwood City, San Mateo, South San Francisco and Woodside has a general fund operating budget forecast covering a ten-year period. Of those nine, only Colma, Hillsborough, Menlo Park, Redwood City, San Mateo, and Woodside make those forecasts accessible to the public in their most recent annual or bi-annual budgets or annual financial reports published on their public websites.
F13. The only way to find the ten-year general fund operating budget forecasts on the public websites of Pacifica and South San Francisco is by manually searching through agenda packages for their City Council meetings.

F14. Daly City’s ten-year general fund operating forecast is not accessible to the public through its public website.

F15. Each of Atherton, Belmont, Brisbane, Burlingame, Foster City, Half Moon Bay, San Bruno and San Carlos has a general fund operating budget forecast covering only a five-year period. Of those eight, only Belmont, Foster City, Half Moon Bay, San Bruno and San Carlos make the forecasts available to the public in their most recent annual or bi-annual budgets or annual financial reports published on their public websites.

F16. The only way to find the five-year general fund operating budget forecasts on the public websites of Atherton and Burlingame is by manually searching through agenda packages for their City Council meetings.

F17. Brisbane’s five-year general fund operating forecast is not accessible to the public through its public website.

F18. Neither East Palo Alto, Millbrae, nor Portola Valley has a general fund operating forecast that extends beyond the fiscal years covered in its most recent annual or bi-annual budget.

Plans to Make Additional Payments to CalPERS Beyond Annual Required Contributions

F19. Each of Belmont, Colma, Foster City, Menlo Park, Portola Valley, Redwood City, San Carlos, and San Mateo has made, or currently has a specific plan to make, additional pension contribution payments to CalPERS beyond its Annual Required Contribution.

F20. Neither Atherton, Brisbane, Burlingame, Daly City, East Palo Alto, Half Moon Bay, Hillsborough, Millbrae, Pacifica, Portola Valley, San Bruno, South San Francisco nor Woodside currently has a specific plan recommended by staff to the City or Town Council (as applicable) to make additional pension contribution payments to CalPERS beyond its Annual Required Contribution.

Establishment of Reserves or Section 115 Trusts for Future Pension Payments

F21. Each of Brisbane, Burlingame, Colma, Daly City, Foster City, Half Moon Bay, Hillsborough, Menlo Park, Pacifica, Portola Valley, Redwood City, San Carlos, South San Francisco and Woodside has set aside internal reserves, or contributed funds to a Section 115 trust, specifically for the purpose of paying future pension contribution costs.
F22. Neither Atherton, Belmont, East Palo Alto, Millbrae, San Bruno, nor San Mateo currently has a specific plan recommended by staff to the City or Town Council (as applicable) to set aside internal reserves, or to contribute funds to a Section 115 trust, specifically for the purpose of paying future pension contribution costs.

Employee Cost-Sharing to Help Pay Cities’ Pension Costs

F23. Each of Atherton, Belmont, Burlingame, Foster City, Hillsborough, Menlo Park, Millbrae, Pacifica, Redwood City, San Mateo and South San Francisco has, or currently intends to seek, one or more cost-sharing agreements with employees under which employees pay for a portion of the City’s Normal Cost pension payment obligations to CalPERS.

F24. Neither Brisbane, Colma, Daly City, East Palo Alto, Half Moon Bay, Portola Valley, San Bruno, San Carlos nor Woodside has, or currently intends to seek, one or more cost-sharing agreements with employees under which employees pay for a portion of the City’s Normal Cost pension payment obligations to CalPERS.

Revenue Enhancement Ballot Initiatives by Cities

F25. Each of Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Redwood City and South San Francisco have, since November 2016, sought and obtained voter approval for ballot measures intended to increase revenues.

F26. Each of Half Moon Bay, Pacifica, Redwood City, and San Bruno are currently considering seeking approval of their voters for revenue enhancement measures in the near term.

F27. Neither Atherton, Belmont, Brisbane, Burlingame, Colma, Daly City, East Palo Alto, Foster City, Hillsborough, Menlo Park, Millbrae, Portola Valley, San Carlos, San Mateo, South San Francisco, nor Woodside is currently considering seeking approval of its voters for revenue enhancement measures in the near term.
RECOMMENDATIONS

R1. Each City include in its published annual or bi-annual budgets a general fund operating budget forecast for the next ten fiscal years.

R2. Each City include a report in its published annual or bi-annual budgets specifically setting forth the dollar amounts of its annual pension costs paid to CalPERS. The report should include the following:

   a) The City’s total pension contribution costs under all plans, for each of the three preceding fiscal years as well as estimates for such costs in each of the following ten fiscal years (whether developed by City staff internally, or by outside consultants to the City), assuming CalPERS’ actuarial assumptions are met.

   b) The City’s total Unfunded Liabilities under all plans, for each of the three preceding fiscal years as well as estimates for such Unfunded Liabilities in each of the next ten fiscal years, (whether developed by City staff internally, or by outside consultants to the City), assuming CalPERS’ actuarial assumptions are met.

   c) The City’s Funded Percentage across all plans, for each of the three preceding fiscal years as well as estimates for such Funded Percentages in each of the next ten fiscal years, assuming CalPERS’ actuarial assumptions are met.

   d) The percentage of the City’s general fund expenditures, and the percentage of the City’s covered payroll, represented by the pension costs described in (a) above (using estimates of general fund expenditures in future fiscal years).

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests that each of the following respond to the foregoing Findings and Recommendations referring in each instance to the number thereof:

- The Town of Atherton
- The City of Belmont
- The City of Brisbane
- The City of Burlingame
- The Town of Colma
- The City of Daly City
- The City of East Palo Alto
- The City of Foster City
- The City of Half Moon Bay
- The Town of Hillsborough
- The City of Menlo Park
- The City of Millbrae
- The City of Pacifica
- The Town of Portola Valley
• The City of Redwood City
• The City of San Bruno
• The City of San Carlos
• The City of San Mateo
• The City of South San Francisco
• The Town of Woodside

METHODOLOGY

The Grand Jury reviewed each of the documents listed in “BIBLIOGRAPHY” below.

The Grand Jury also reviewed email correspondence it received from some of the Cities.

In addition, the Grand Jury interviewed representatives of each of the Cities.
APPENDIX A – Data on Each City’s Pension Costs for Four Years from FY 2014-15 through FY 2017-18

The column below that reflects the most immediate impact on the Cities is “Contribution Cost” as this sets out the total pension costs paid each year and shows the rate at which it has, in most cases, increased each year. The other column that is particularly useful to understanding the impact of pension costs on the Cities’ budgets is “Contribution Cost as % of General Fund Spending” as this shows the relative size of pension costs in comparison to the overall general fund budget.

Note: Except as noted in this note, all information in Appendix A is derived from the Cities’ “Comprehensive Annual Financial Reports” (or “Basic Financial Statements,” or “Annual Financial Reports” in the case of the Towns of Atherton, Colma, Portola Valley and Woodside). Certain of Daly City’s, East Palo Alto’s and Foster City’s numbers are based on correspondence from those Cities received in June, 2019.

(All dollar numbers in thousands.)

<table>
<thead>
<tr>
<th>CITIES</th>
<th>Fiscal Year</th>
<th>Covered Payroll</th>
<th>Pension Contribution Cost</th>
<th>Contribution Rate (i.e., Pension Contribution Cost as % of Payroll)</th>
<th>Unfunded Liability</th>
<th>Funded Percentage</th>
<th>Unfunded Liability if Discount Rate is Reduced 1%</th>
<th>General Fund Spending</th>
<th>Pension Contribution Cost as % of General Fund Spending*</th>
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<td>73.4%</td>
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*Note: Contribution Cost amounts in Comprehensive Annual Financial Reports may include pension costs paid on account of certain employees whose activities are not accounted for as part of General Fund activities, and their pension costs would, therefore, not be included in General Fund total expenditures. As a result, the percentage of General Fund Spending in Appendix represented by Pension Contribution Costs may somewhat overstate the percentage represented by General Fund pension costs. Some experts have estimated that this might result in an overstatement of the percentage by 10 – 30 percent, such that a Contribution Payment as a % of General Fund Total Expenditures of 10 percent might actually be somewhere between 7 and 9 percent.
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<th>CITY</th>
<th>Fiscal Year</th>
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<th>Pension Contribution Cost</th>
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<td>$58,596</td>
<td>$40,581</td>
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*Note: East Palo Alto has stated to the Grand Jury that it believes it is more representative of its financial situation to include in "General Fund Spending" the "operating transfers out of [its] General Fund to other City funds. The transfers primarily relate to the support of infrastructure-related programs including NPDES, Drainage Districts and pay-go-funded Capital Improvement projects." If these operating transfers out are included, then General Fund Spending with transfers would be $21.77 million in FY 2017-18, $21.92 million in FY 2016-17, $21.2 million in FY 2015-16 and $20.15 million in FY 2014-15 and Contribution Cost as a % of General Fund Spending with these transfers would be 7.5% in FY 2017-18, 6.8% in FY 2016-17, 6.5% in FY 2015-16 and 7.3% in FY 2014-15. (Email from East Palo Alto, dated June 7, 2019.)

**Note: Hillsborough makes the same comment as East Palo Alto and notes that, transfers out of the general fund should be included in “General Fund Spending” above as follows: For FY 2017-18, add $2.07 million for a new total of $24.33 million; for FY 2016-17, add $3.86 million for a new total of $25.09 million; for FY 2016-17, add $0.461 million for a new total of $20.15 million; and for FY 2014-15, add $0.742 million for a new total of $19.46 million. These higher General Fund Spending amounts would result in decreases in the percentages in "Contribution Cost as a % of General Fund Spending" as follows: for FY 2017-18, 9.9%; for FY 2016-17, 8.6%; for FY 2015-16, 9.4%; and for FY 2014-15, 8.3%. (Email from Hillsborough, dated June 7, 2019.)

***Note: Menlo Park also makes the same comment as East Palo Alto and Hillsborough. If its “transfers out” of $5.09 million in FY 2017-18 were included as a part of general fund expenditures, then those expenditures would increase to $57.38 million and "Contribution Cost as % of General Fund Spending" would drop from 11.8 percent to 9.6 percent. Adding “transfers out” of $5.57 million, $4.75 million, and $4.21 million for fiscal years 2016-17, 2015-16 and 2014-15, respectively, results in the “Contribution Cost as % of General Fund Spending” for those years dropping to 10.7 percent, 9.3 percent and 9.4 percent, respectively. (Email from Menlo Park, dated June 6, 2019.) (Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2017, p. 36. Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2016, p. 35. Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2015, p. 35.)
<table>
<thead>
<tr>
<th>CITIES</th>
<th>Fiscal Year</th>
<th>Covered Payroll</th>
<th>Pension Contribution Cost</th>
<th>Contribution Rate (i.e., Pension Contribution Cost as % of Payroll)</th>
<th>Unfunded Liability</th>
<th>Funded Percentage</th>
<th>Unfunded Liability if Discount Rate is Reduced 1%</th>
<th>General Fund Spending</th>
<th>Pension Contribution Cost as % of General Fund Spending</th>
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<tbody>
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<td>Millbrae*</td>
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<td>71.2%</td>
<td>$42,824</td>
<td>$29,067</td>
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</table>

*Note: Millbrae notes that its pension payments as a percentage of covered payroll are artificially high because the City has pension liability for public safety employees (police and fire) but the City currently contracts for services and has no employees in those categories. While the City has no police and fire staff, the City is responsible for unfunded liability pension costs associated with former police and fire agencies and is also responsible for pension costs associated with employees in police and fire contracts. Pension spending for Miscellaneous plan employees in FY 2017-18 represented only 29.5% of covered payroll. (Email from Millbrae, dated June 12, 2019.)

**Note: Redwood City points out that its FY 2017-18 General Fund Spending amount set forth above includes a one-time transfer of $8.8 million to the City’s Section 115 pension trust account. If that $8.8 million were excluded from General Fund Spending, then the total amount for FY 2017-18 would drop from $125.86 million to $117.06 million and Pension Contribution Costs as a % of General Fund Spending would increase from 14.6 percent to 15.7 percent. (Email from Redwood City dated June 7, 2019.)

***Note: San Carlos points out that its “Contribution Cost” in FY 2017-18 includes $6 million of one-time additional payments it made in excess of its Annual Required Contribution in order to reduce its unfunded pension liabilities and thus reduce long term pension contribution costs. If this $6 million voluntary additional payment were not included, then pension contribution costs would represent only 31.1 percent of covered payroll rather than 86.9 percent and only 8.7 percent of General Fund Spending, rather than 22.8 percent.

In addition, the Grand Jury notes that San Carlos’ percentage of covered payroll represented by pension contribution costs is also artificially increased because the City continues to make substantial pension contribution payments to CalPERS (reflected in the numbers above) for its former fire and police personnel even though it no longer employs fire fighters or police personnel (thus reducing its covered payroll amount significantly). San Carlos’ police services are now provided by the San Mateo County Sheriff’s Office and fire services have been transferred to the Redwood City Fire Department. (San Carlos, Comprehensive Annual Financial Report for Fiscal Year 2017-2018, p. 155.)

2018-2019 San Mateo County Civil Grand Jury Appendix A-3
<table>
<thead>
<tr>
<th>Cities</th>
<th>Fiscal Year</th>
<th>Covered Payroll</th>
<th>Pension Contribution Cost</th>
<th>Contribution Rate (i.e., Pension Contribution Cost as % of Payroll)</th>
<th>Unfunded Liability</th>
<th>Funded Percentage</th>
<th>Unfunded Liability if Discount Rate is Reduced 1%</th>
<th>General Fund Spending</th>
<th>Pension Contribution Cost as % of General Fund Spending</th>
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<tbody>
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<td>San Mateo (City)</td>
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<td>18.2%</td>
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<td>2015-16</td>
<td>$52,345</td>
<td>$15,908</td>
<td>30.4%</td>
<td>$168,693</td>
<td>70.1%</td>
<td>$240,459</td>
<td>$95,779</td>
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<td>71.4%</td>
<td>$226,588</td>
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<td>15.7%</td>
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<td>73.2%</td>
<td>$184,305</td>
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<td>79.1%</td>
<td>$3,356</td>
<td>$6,107</td>
<td>5.8%</td>
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</tbody>
</table>

| Totals & Weighted Averages | 2017-18     | $394,884         | $122,642                  | 31.1%                                                            | $1,388,505        | 69.1%            | $2,002,188                                       | $829,327              | 14.8%                                           |
|                           | 2016-17     | $386,398         | $106,468                  | 27.6%                                                            | $1,215,467        | 70.6%            | $1,755,047                                       | $769,315              | 13.8%                                           |
|                           | 2015-16     | $354,648         | $96,784                   | 27.3%                                                            | $994,535          | 75.0%            | $1,515,516                                       | $729,230              | 13.3%                                           |
|                           | 2014-15     | $340,601         | $85,194                   | 25.0%                                                            | $905,565          | 76.3%            | $1,399,702                                       | $668,939              | 12.7%                                           |

| % Change from 2016-17 to 2017-18 | 15.2% increase | 14.2% increase |

2018-2019 San Mateo County Civil Grand Jury Appendix A-4
## APPENDIX B – Table showing information on each of the Cities.

<table>
<thead>
<tr>
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</thead>
<tbody>
<tr>
<td>Atherton</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>Yes</td>
<td>No</td>
<td>No.</td>
<td>No.</td>
<td>Yes 5 years</td>
<td>No</td>
</tr>
<tr>
<td>Belmont</td>
<td>Yes. Through FY 2048-49.</td>
<td>No</td>
<td>Yes. $3.65M</td>
<td>No.</td>
<td>Yes</td>
<td>Yes. Business license tax measures in 2017.</td>
<td>No.</td>
<td>Yes 5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Brisbane</td>
<td>No.</td>
<td>No.</td>
<td>No.</td>
<td>Yes. Section 115 Trust $0.92M</td>
<td>No.</td>
<td>Yes. Section 115 Trust $8.2M as of FY 2018-19 and more thereafter.</td>
<td>No.</td>
<td>Yes 5 years</td>
<td>No. Forecast not available on City’s website</td>
</tr>
<tr>
<td>Foster City</td>
<td>Yes. Through FY 2048-49.</td>
<td>Yes. The City included pension cost projections through FY 2023-24 for the first time in its FY 2019-20 budget</td>
<td>Yes. $3.43M</td>
<td>No.</td>
<td>Yes</td>
<td>Yes, but using its balance to make fund portion of $3.43M additional pymts. to CalPERS.</td>
<td>No.</td>
<td>Yes 5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Half Moon Bay</td>
<td>Yes. Through FY 2028-29.</td>
<td>No.</td>
<td>No.</td>
<td>Yes. $1.1M</td>
<td>No</td>
<td>No.</td>
<td>No.</td>
<td>Yes 5 years</td>
<td>Yes</td>
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<tr>
<td>Hillsborough</td>
<td>Yes. Through FY 2028-29.</td>
<td>Yes. The Town included pension cost projections for the first time in its FY 2019-20 budget.</td>
<td>No</td>
<td>Yes. Section 115 Trust. $4.8M.</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes. 10-years</td>
<td>Yes</td>
</tr>
<tr>
<td>Menlo Park</td>
<td>Yes. Through FY 2029-30.</td>
<td>No</td>
<td>Yes. Plans for additional pynts. totaling $15.2M.</td>
<td>Yes. $4.3M in FY 2018-19. Expect $8.4M by FY 2023-24 and $11.4M by FY 2027-28.</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes. 10 years</td>
<td>Yes</td>
</tr>
<tr>
<td>Millbra</td>
<td>Yes. Through FY 2028-29.</td>
<td>No</td>
<td>No</td>
<td>Yes. Plans for Section 115 Trust and $0.2M</td>
<td>Yes</td>
<td>Yes. May seek increase in “hotel tax”</td>
<td>Yes. 2010 for $20.5M. No forecast exists</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Pacifica</td>
<td>Yes Through FY 2028-29.</td>
<td>No</td>
<td>Yes</td>
<td>Yes. 0.712 million.</td>
<td>No</td>
<td>None currently planned.</td>
<td>No</td>
<td>No forecast exists.</td>
<td>N/A</td>
</tr>
<tr>
<td>Portola Valley</td>
<td>No.</td>
<td>No</td>
<td>Yes. Section 115 Trust. $14.05M to date and $1.1M per year thereafter.</td>
<td>Yes. Sales tax incr. 2018. Expecting to seek additional revenue increases in future</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes. City extended period to 10 years for first time in FY 2019-20 budget.</td>
<td>N/A</td>
</tr>
<tr>
<td>Redwood City</td>
<td>Yes. Through FY 2038-39.</td>
<td>Yes</td>
<td>Yes. 0.6M in FY 2018-19 and 0.5M annually thereafter.</td>
<td>Yes. Considering additional tax increase ballot initiatives in 2019 or 2020.</td>
<td>Yes</td>
<td>Yes. 2013 for $13.16M.</td>
<td>Yes</td>
<td>Yes. City included forecast for first time in FY 2019-20 budget.</td>
<td>Yes</td>
</tr>
<tr>
<td>San Bruno</td>
<td>Yes. Through FY 2024-25.</td>
<td>No</td>
<td>Yes. Section 115 Trust. $1M and $2M internal reserve.</td>
<td>Yes. $6M</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes. 5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>San Carlos</td>
<td>Yes. Through FY 2047-48.</td>
<td>No</td>
<td>Yes. $4.39M by FY 2018-19. Additional pynts. of $14M (for total of $18.39M) projected to be made by FY 2028-29.</td>
<td>No</td>
<td>Yes</td>
<td>No</td>
<td>No</td>
<td>Yes. 5 years</td>
<td>Yes</td>
</tr>
<tr>
<td>San Mateo</td>
<td>Yes. Through FY 2029-30.</td>
<td>No</td>
<td>Yes. Section 115 Trust. $14.05M to date and $1.1M per year thereafter.</td>
<td>Yes. $4.3M in FY 2018-19. Expect $8.4M by FY 2023-24 and $11.4M by FY 2027-28.</td>
<td>Yes</td>
<td>Yes</td>
<td>No</td>
<td>Yes. 10 years</td>
<td>Yes</td>
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</tr>
<tr>
<td>South San Francisco</td>
<td>Yes. Through FY 2045-46</td>
<td>No</td>
<td>Yes, $5.5M.</td>
<td>Yes</td>
<td>Yes</td>
<td>Hotel tax and business license inc. 2018. Not planning further increases</td>
<td>No</td>
<td>Yes, 10 years</td>
<td>No</td>
</tr>
<tr>
<td>Woodside</td>
<td>Yes. Through FY 2027-28</td>
<td>No</td>
<td>Yes, $0.15M per year.</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>No</td>
<td>Yes. Town extended period to 10 years for the first time in its FY 2019-21 budget.</td>
<td>Yes</td>
</tr>
</tbody>
</table>
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- South San Francisco, Staff Report for City Council meeting on November 14, 2018 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3726607&GUID=ED9CE209-888F-4A33-BCD1-363642AE87D1&Options=&Search=&&FullText=1) (Last accessed on May 10, 2019.)
• South San Francisco, Slide presentation for City Council meeting on November 14, 2018 re: Pension Study Session, Attachment 10 to the Staff Report for City Council meeting on November 14, 2018 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3911064&GUID=085C5FE5-E350-4590-B22E-6B516AEF0BEE&FullText=1) (Last accessed on May 10, 2019.)

• South San Francisco, Slide presentation for City Council meeting on November 14, 2018 re: Fiscal Year 2017-18 Year-End Results, Attachment 4 to the Staff Report for City Council meeting on November 14, 2018 re: Report regarding resolution accepting the financial results for the fiscal year ended June 30, 2018, and approving Budget Amendment 18.034. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3726604&GUID=BCB98DA2-C0B4-466C-B628-163F50B93B1&FullText=1) (Last accessed on May 10, 2019.)

• South San Francisco, Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3911064&GUID=085C5FE5-E350-4590-B22E-6B516AEF0BEE&FullText=1) (Last accessed on May 10, 2019.)

• South San Francisco, Attachment 4 to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3911064&GUID=085C5FE5-E350-4590-B22E-6B516AEF0BEE&Options=&Search=) (Last accessed June 8, 2019.)

• South San Francisco, Attachment 8 (General Fund 10-year forecast $1M contribution to CalPERS) to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3911064&GUID=085C5FE5-E350-4590-B22E-6B516AEF0BEE&Options=&Search=) (Last accessed June 8, 2019.)

• South San Francisco, Presentation Slide for Pension Study Session on April 9, 2019, Attachment 10 to Staff Report for City Council meeting on April 9, 2019 re: Study session regarding a comprehensive financial review of the City of South San Francisco, including pension costs. (https://ci-ssf-ca.legistar.com/LegislationDetail.aspx?ID=3911064&GUID=085C5FE5-E350-4590-B22E-6B516AEF0BEE&Options=&Search=) (Last accessed on May 10, 2019.)


• Voters Edge Library, Measure PP. (http://votersedge.library.ca.gov/ca/en/ballot/election/area/73/measures/measure/3516?&county=san%20mateo%20percent20county&election_authority_id=410) (Last accessed on May 3, 2019.)


• Woodside, Report to Town Council for meeting on March 26, 2019 re: Discussion of the Town’s Pension Obligations and Direction to Staff Regarding an Approach to Address the Obligations. (https://www.woodsidetown.org/sites/default/files/fileattachments/town_council/meeting/26141/item_2_report_pension_obligations.pdf) (Last accessed on May 19, 2019.)
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Dave Cresta, Fire Chief  
                 Jimmy Tan, Public Works Director

SUBJECT: Adopt Resolution Authorizing the City Manager to Execute an Agreement with Shah Kawasaki Architects for the Fire Station 52 Renovation Project in an Amount Not to Exceed $136,790 and Approving a Total Design Budget of $161,790

BACKGROUND:

The San Bruno Fire Station 52 is a one-story wood framed building located at 1999 Earl Avenue. The building is over 60 years old and in need of substantial improvements to meet current fire station standards. Currently, the station has an existing single multi-occupant bathroom. The purpose of the Fire Station 52 Renovation Project is to address the bathroom issue and evaluate whether the replacement or remodel of the existing fire station will be most cost-effective means of meeting the needs of the City.

The Phase I project will consist of remodeling the existing bathroom into two gender-neutral bathrooms. Phase II will be a feasibility study resulting in a conceptual design and construction costs for other improvements and perform an evaluation to determine the cost effectiveness of replacing the Fire Station 52 versus renovation based on these identified needs and required seismic improvements.

DISCUSSION:

In June 2019, the City issued a Request for Proposals for professional design services for the Fire Station 52 Renovation Project. Staff received two proposals and conducted an evaluation based on the following criteria:

- Proposed Work Plan and Approach
- Experience with design of fire stations similar project in size and complexity
- Quality and completeness
- Relevance and conciseness
- Qualification and experience of staff
- Manpower allocation
- Completion of similar projects and references

ITEM 5.f.
Based on the evaluation, staff is recommending Shah Kawasaki Architects to provide the professional architectural design for both the Phase I and II for the Fire Station 52 Renovation Project. Shah Kawasaki Architects is highly qualified, has demonstrated accurate project understanding, has substantial design experience related to fire station projects. The firm has successfully completed similar design projects for City of San Francisco, San Francisco International Airport, City of Napa, Moraga Orinda Fire District, City of South San Francisco, City of San Mateo, City of Milpitas City of Palo Alto and City of Oakland.

While cost can be one of the factors used by the City in selecting a contractor, the City policies do not require selection of the lowest cost proposal – as other factors may be more important in the selection process. Of the two proposals received for this solicitation, the price ranged from $137,000 to $247,000. Shah Kawasaki Architects submitted the lowest cost proposal for the project.

The scope of work for the Phase I Fire Station 52 Renovation Project includes project management, performing field investigation, preparation of design options, meeting with stakeholders, architectural plans, plumbing plans, electrical plans, utilities plan, structural plans, estimate of construction cost and specifications.

For the project schedule, staff estimates the design will take approximately six months to complete and an additional four months for construction. The estimated schedule includes time for plan preparation and review of construction documents by the City’s Building Department. If approved, it is anticipated that the design will be completed by Spring 2020.

Phase II will commence simultaneously to determine whether the existing Fire Station 52 can accommodate other improvements such as an upgraded kitchen and living areas, remodel of office/meeting/training space, location of storage for department equipment, tools, supplies and PPE, location of fitness area, space for infection control and fire engine storage. Shah Kawasaki will perform an evaluation to determine the cost effectiveness of replacing the Fire Station 52 versus renovation based on these identified needs and required seismic improvements. A technical memorandum will be prepared for City’s review that includes recommendations and cost for each option.

**FISCAL IMPACT:**

The adopted FY 2019-20 budget includes $1,000,000 in estimated carryover to complete the design of Fire Station 52. The architectural design cost from Shah Kawasaki Architect for Phase I and Phase II is $136,790 and estimated cost for staff project manage during design phase is $25,000. The existing appropriation is adequate to fund the design and construction of Phase I project.
Total Phase I estimated cost for the project:

- Design Consultant (Phase I and Phase II) $136,790
- Estimated Staff Management for Design $25,000
- Estimated Construction Contract (Phase I) $150,000
- Estimated Staff Management and Inspection During Construction $25,000
- Construction Contingency (15%) $22,500
- Total Estimated Phase I Project Cost $359,290

ALTERNATIVES:

1. Direct further review of submitted proposals for selection of different firm from the current proposals.
2. Request staff issue a new request for proposals.

RECOMMENDATION:

Adopt resolution authorizing the City Manager to execute an agreement with Shah Kawasaki Architects for the Fire Station 52 Renovation Project in an amount not to exceed $136,790 and approving a total design budget of $161,790.

DISTRIBUTION:

None

ATTACHMENTS:

1. Resolution
2. Project Location Map
3. CIP Budget Sheets

DATE PREPARED:

September 17, 2019
RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AN AGREEMENT WITH SHAH KAWASAKI ARCHITECTS FOR THE FIRE STATION 52 RENOVATION PROJECT IN AN AMOUNT NOT TO EXCEED $136,790 AND APPROVING A TOTAL DESIGN BUDGET OF $161,790

WHEREAS, the San Bruno Fire Station 52 is over 60 years old and in need of substantial improvements to meet current fire station standards; and

WHEREAS, the existing station has a single multi-occupant bathroom which is undesirable for male and female staff working at the station; and

WHEREAS, the purpose of the Fire Station 52 Renovation Project is to address the bathroom issue and evaluate whether the replacement or remodel of the existing fire station will be most cost-effect means of meeting the needs of the City; and

WHEREAS, the Phase I project consists of remodeling the existing bathroom into two bathrooms so that the station can accommodate both male and female firefighters; and

WHEREAS, Phase II will be a feasibility study resulting in a conceptual design and construction cost; and

WHEREAS, the City issued a Request for Proposals for the Fire Station 52 Renovation Project in June 2019 and received two proposals; and

WHEREAS, Shah Kawasaki Architects was selected based on their understanding of the project, experience with design of fire stations, quality and completeness, relevance and confinement, qualifications and experience of staff, manpower allocation to efficiently complete the project, and completion of similar projects and references; and

WHEREAS, the cost of this agreement is $136,790 and the estimated cost for staff management during the design phase is $25,000; and

WHEREAS, funding in the amount of $1,000,000 for this project is available within the established FY 2019-20 Capital Improvement Program for the Fire Station 52 Renovation Project.

NOW, THEREFORE, BE IT RESOLVED that the San Bruno City Council hereby authorizes the City Manager to execute an agreement with Shah Kawasaki Architects for the design of the Fire Station 52 Renovation Project in an amount not to exceed $136,790 and approving a total design budget of $161,790 for Phase 1 and Phase 2 as described above and in the staff report.

Dated: October 8, 2019
I, Melissa Thurman, City Clerk, do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of San Bruno this 8th day of October 2019 by the following vote:

AYES: Councilmembers: ________________________________
NOES: Councilmembers: ________________________________
ABSENT: Councilmembers: ________________________________
Attachment 2
# Parks & Facilities

## Fire Station 52 Replacement

**PROJECT #: 51011**

**Total Project Budget:** $9,000,000

### DEPARTMENT: Community Services/Fire Department

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### PROJECT APPROPRIATIONS

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### Project Description:
Following the 2010 PG&E gas pipeline explosion in San Bruno’s Crestmoor neighborhood, the City played an active role in several investigative proceedings before the California Public Utilities Commission (CPUC). The City Council previously considered several projects related to the explosion and its aftermath to be completed with any funding that may be available to the City as a result of the disaster. Replacement of Fire Station 52 was identified as the highest priority for use of any such funds.

This building, constructed in the mid-1950’s, serves as San Bruno’s second fire station, providing coverage to the western half of the City. The station houses on duty firefighters, trucks, and other fire equipment and is a critical component of the City’s public safety infrastructure.

It is currently in poor repair and it lacks many of the modern-day amenities considered necessary for fire service delivery. Replacement of the station will provide the necessary facilities for Fire Department staff and operations, and will allow the Department to properly store and secure apparatus and equipment. In addition, a new station may be designed to include a neighborhood meeting room and activity space.

### Project Details:

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<th>Initial Funding Year</th>
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DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Jimmy Tan, Public Works Director

SUBJECT: Adopt a Resolution Authorizing the City Manager to Execute and Accept a Public Access Easement in Connection with the Aperture Mixed Use Development at 406-418 San Mateo Avenue

BACKGROUND:

On October 28, 2014, the City Council approved a mixed use development located at 406-418 San Mateo Avenue (APN 020-364-360). The project included a total of 83 residential units, five individual tenant spaces with either specialty restaurant and/or retail uses in approximately 6,975 square feet, and a sub-grade parking garage containing 106 parking spaces for the residential uses.

The project site is approximately one acre in area (41,469 square feet) and is located at the southern entrance to downtown San Bruno on the corner of San Mateo Avenue and Taylor Avenue. The project site has a general plan designation of Transit Oriented Development and a zoning classification of Central Business District and is located within the Transit Corridor Plan specific plan area. Construction of the mixed use development has been ongoing since 2016, and the project is nearing completion. The City issued a Temporary Certificate of Occupancy in May 2019 for the residential component of the building.

On February 27, 1979, an easement was established and recorded at the southeasterly corner of Taylor and Mastic Avenues for the purpose of maintenance and operation of the public street and sidewalk. As part of the original conditions of approval for the new project, the developer was required to coordinate with the City to abandon the existing easement to allow for the configuration of the proposed development. As such, on April 14, 2015, the City Council adopted a Resolution vacating the easement located at the southeasterly corner of Taylor and Mastick Avenues. The easement area that was vacated was approximately 414 square feet. It was not needed for present or prospective public facilities, as the necessary portion of the easement and any existing utilities presently located in the easement would be abandoned or relocated by the developer. The developer provided the City with a replacement easement at the corner of Taylor and Mastick Avenues for the public street and sidewalk use. The replacement easement area was approximately 120 square feet.

As part of the proposed action, the developer will be providing the City with a new easement so the public can utilize the full extent of a newly installed curb access ramp including the landing to traverse the sidewalk at the corner of El Camino Real and Taylor Avenue.

ITEM 5.g.
DISCUSSION:

As part of the project’s entitlements, a curb access ramp was required to be installed at the corner of El Camino Real and Taylor Avenue. This ramp would provide pedestrians access across Taylor Avenue near El Camino Real. There was insufficient detail for the ramp design at the time of entitlement to understand the full extent of the new ramp and landing. The detailed design, which was submitted after the new easement had been recorded, revealed that to provide an access ramp compliant with American’s with Disabilities Act requirements and guidance, the ramp landing would need to be located on private property. Accordingly, to provide pedestrians with unrestricted use of the ramp landing to access the street crossing and sidewalk, the property owner has agreed to grant the City additional 57 square feet, more or less, of easement area. If approved, the Resolution would authorize the City to accept the easement. Because a portion of the subsurface garage is within the easement area, the lower vertical limit of the easement will be restricted to the as-built location of the bottom of the existing sidewalk.

FISCAL IMPACT:

No fiscal impact.

ALTERNATIVES:

1. Do not authorize the execution of the agreement. Accessibility would potentially be compromised because this easement would allow for the public to utilize the full extent of the curb access ramp including landing to traverse the sidewalk.
2. Direct staff to modify and renegotiate the terms or alignment of the easement.

RECOMMENDATION:

Adopt a resolution authorizing the City Manager to execute and accept a public access easement in connection with the Aperture mixed use development at 406-419 San Mateo Avenue.

ATTACHMENTS:

1. Resolution
2. Location Map of 406-418 San Mateo Avenue
3. Public Access Easement Deed
   a. Exhibit A – Legal Description of Grantor Property
   b. Exhibit B – Figure of Access Easement

DATE PREPARED:

September 23, 2019

DISTRIBUTION:

None.
RESOLUTION NO. 2019 - ___

RESOLUTION AUTHORIZING THE CITY MANAGER TO EXECUTE AND ACCEPT A PUBLIC ACCESS EASEMENT IN CONNECTION WITH THE APERTURE MIXED USE DEVELOPMENT AT 406-418 SAN MATEO AVENUE

WHEREAS, on October 28, 2014, the City Council approved a mixed use development located at 406-418 San Mateo Avenue (APN 020-364-360); and

WHEREAS, construction of the mixed use development has been on-going since 2016, and the project is nearing completion; and

WHEREAS, on April 15, 2015, the City Council adopted a resolution vacating a prior easement and accepting a grant of easement for public access over the adjacent sidewalk near the corner of Taylor Avenue and Mastick Avenue; and

WHEREAS, it was later determined that to provide an access ramp compliant with American’s with Disabilities Act requirements and guidance, the landing would need to be located on private property; and

WHEREAS, to provide pedestrians with unrestricted use of the ramp landing to access the street crossing and sidewalk, the property owner has agreed to provide the City with a new easement area of 57 square feet, more or less, near the corner of El Camino Real and Taylor Avenue.

NOW, THEREFORE, BE IT RESOLVED that the San Bruno City Council hereby authorizes the City Manager to execute and accept a public access easement in connection with the Aperture mixed use development at 406-419 San Mateo Avenue, subject to such minor amendments necessary to effectuate the intent of the parties.

Dated: October 8, 2019

ATTEST:

Melissa Thurman, CMC
City Clerk

ATTACHMENT 1
I, Melissa Thurman, City Clerk, do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of San Bruno this 8th day of October 2019 by the following vote:

<table>
<thead>
<tr>
<th>AYES:</th>
<th>Councilmembers:</th>
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</thead>
<tbody>
<tr>
<td>NOES:</td>
<td>Councilmembers:</td>
</tr>
<tr>
<td>ABSENT:</td>
<td>Councilmembers:</td>
</tr>
</tbody>
</table>
This map is based on City of San Bruno GIS Information and reflects the most current information at the time of this printing. The map is intended for reference purposes only and the City and its staff is not responsible for errors.

Site Location
406-418 San Mateo Avenue
APN 020-364-360

This map is based on City of San Bruno GIS Information and reflects the most current information at the time of this printing. The map is intended for reference purposes only and the City and its staff is not responsible for errors.
PUBLIC ACCESS EASEMENT DEED

THE UNDERSIGNED GRANTOR DECLARES AS FOLLOWS:
The undersigned declares that this Grant Deed is exempt from Recording Fees pursuant to
California Government Code section 27383 and exempt from Documentary Transfer Tax pursuant
to California Revenue and Taxation Code section 119222.

FOR A VALUABLE CONSIDERATION, receipt of which is hereby acknowledged, San Bruno Plaza,
LLC a Delaware limited liability company (Grantor) grants to the City of San Bruno, a California
municipal corporation (Grantee), a permanent easement in and to that certain real property in
San Bruno, County of San Mateo, State of California as more particularly described in Exhibit A
and shown on Exhibit B, attached hereto and incorporated herein by reference. The portion of
real property described in Exhibit A and shown on Exhibit B shall be used for the purpose of a
public access easement (the lower vertical limit shall be restricted to the as-built location of the
bottom of the existing sidewalk) for pedestrians and shall be kept free and clear of obstructions,
buildings, or structures of any kind. The provisions of this Deed are intended to and will run with
the land, and, until their expiration or termination in accordance with the terms of this Deed, will
bind and be a charge upon the Grantor and inure to the benefit the Grantee, and its respective
successors and assigns.
Dated: ____________

SAN BRUNO PLAZA, LLC,
a Delaware limited liability company

By: SRGNC MF San Bruno Plaza, LLC,
a Delaware limited liability company
its Managing Member

By: SRGNC MF, LLC,
a Delaware limited liability company
its Manager

By: _______________________
Name: Mark R. Kroll
Title: President
CERTIFICATE OF ACCEPTANCE
(California Government Code Section 27281)

This is to certify that the interest in real property conveyed to the City of San Bruno by that certain Public Access Easement Deed dated __________, 2019, executed by San Bruno Plaza, LLC, is hereby accepted by the undersigned on behalf of the City of San Bruno pursuant to authority conferred by City Council Resolution No. ________ adopted on ____________, 2019, and the City of San Bruno consents to recordation thereof by its duly authorized officer.

Dated: ______________, 2019

CITY OF SAN BRUNO
a municipal corporation,

By:

____________________________
Jovan D. Grogan, City Manager
EXHIBIT A
Legal Description
Pedestrian Access Easement
Lands of San Bruno Plaza, LLC

Real property situate in the City of San Bruno, County of San Mateo, State of California described as follows:

Being a portion of Lot 1, as said lot is shown on the final map entitled Tract Map – The Plaza, filed on September 2, 2016 in Book 141 of Maps at Pages 7-8, San Mateo County Records and more particularly described as follows:

**Beginning** at the most southerly corner of said Lot 1, thence along the boundary lines of said Lot 1 the following three (3) courses: 1) North 68°45'24" West a distance of 8.19 feet, 2) North 29°27'30" West a distance of 5.24 feet, and 3) North 0°45'45" East a distance of 1.26 feet; thence leaving last said line and across said Lot 1, South 68°45'24" East a distance of 16.29 feet to the southeasterly line of said Lot 1; thence along said southeasterly line, South 59°55'15" West a distance of 5.76 feet to the **Point of Beginning**.

The lower vertical limit of this easement shall be restricted to as-built location of the bottom of the existing sidewalk.

Containing an area of 57 square feet, more or less.

See Exhibit B – Plat to Accompany Legal Description which is attached hereto and made a part hereof.

[Signature]

Scott A. Shortridge, L.S. 6441 Date 9-18-299

[Stamp]
BASIS OF BEARINGS
THE WEST LINE OF MASTICK AVENUE, AS SHOWN AND MONUMENTED ON PARCEL MAP - 48 PM 68, SAN MATEO COUNTY RECORDS, TAKEN AS N00°45'45"E IS THE BASIS OF BEARINGS FOR THIS PLAT.

LANDS OF SAN BRUNO PLAZA, LLC
LOT 1
141 M 7

TAYLOR AVENUE
(50' WIDE)

LEGEND

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SCOTT A. SHORTLIDGE, L.S. 6441

EXHIBIT B
PLAT TO ACCOMPANY LEGAL DESCRIPTION PEDESTRIAN ACCESS EASEMENT
THE LANDS OF SAN BRUNO PLAZA, LLC
406 SAN MATEO AVE., SAN BRUNO, CA. 94066
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager

PREPARED BY: Darcy Smith, Community and Economic Development Director

SUBJECT: Adopt a Resolution Authorizing the Application for, and Receipt of, State of California SB 2 Planning Grants Program Funds in the amount of $160,000

BACKGROUND:

The City continuously seeks grant funding opportunities to help reduce the burden on the General Fund. The Community and Economic Development Department proposes to apply for a grant of $160,000 from the State of California to assist in funding a portion of the City’s comprehensive zoning code update.

Senate Bill 2

In 2017, the state enacted the Building Homes and Jobs Act (SB 2) and established a permanent, on-going source of funding intended to increase the affordable housing stock in California. The bill, which became effective on January 1, 2018, gave each county the ability to impose a recordation fee on real estate documents. For the recordation of each real estate document, the County can impose a fee of $75 to $225 for each parcel of the real property. As a one-time component of SB 2, 50 percent of the fees collected from all counties in 2018 were allocated to the SB 2 Planning Grants Program (PGP) funds, which provides technical and financial assistance to local governments to update planning documents and land-use ordinances. The State distributes grant funds through a noncompetitive application process, to help jurisdictions finance the preparation, adoption or implementation of plans that streamline housing approvals and accelerate housing production.

SB 2 Planning Grants Program (PGP)

On March 28, 2019, the California Department of Housing and Community Development issued a Notice of Funding Availability (NOFA) for the SB 2 Planning Grants Program in the amount of approximately $123 million (Attachment 2). Funding for each city is based on its estimated population. City of San Bruno is defined as a small locality (less than 60,000 people) and can potentially receive up to $160,000 in funding.

Funding may be used by local governments to update planning documents in order to accomplish the following outcomes:

- Accelerate housing production;
- Streamline the approval of housing development affordable to owner and renter households at all income levels;
- Facilitate housing affordability, particularly for all income groups;
- Promote development consistent with the State Planning Priorities; and
• Ensure geographic equity in the distribution and expenditure of allocated funds

Eligible activities are listed in the NOFA, and include updates to General Plans, Specific Plans, Zoning Ordinances, and local process improvements that improve and expedite local planning to accelerating housing production

**DISCUSSION:**

The SB 2 PGP provides financial assistance for local jurisdiction in streamlining the approval process for housing development. In order to be eligible, the City is required to submit a complete and signed application to HCD for consideration by November 30, 2019. The application requires City Council’s resolution authorizing filing of the SB 2 Planning Grants application. The complete application can be found in Attachment 3. As part of the grant application process, HCD requires that the City Council adopt a Resolution (Attachment 1) authorizing application for, and receipt of, PGP funds.

If awarded, the fund will be utilized to complete the comprehensive zoning code update that includes the City’s development standards for housing development, Accessory Dwelling Unit regulations, affordable housing program ordinance, density bonus provisions and other chapters related to housing in the City. In some cases, the City’s dated regulations are inconsistent with recently adopted state laws addressing housing. The Zoning Code Update and Zoning Map update would also align the base zoning districts for parcels within the General Plan and Transit Corridors Plan area that are allowed to be developed with housing under those Plans that were adopted in 2009 and 2013. The Zoning Code update is a significant priority for the City, as it has not yet been updated to be consistent with the General Plan and Transit Corridors Plan as required by law and the City’s adopted Housing Element. However, work has been delayed as the City prioritized the preparation of the Bayhill Specific Plan. Currently, $72,500 from the City’s General Plan Maintenance Fund (a fee imposed on building permits for new construction) has been authorized to initiate the Zoning Code Update, starting with a first phase that includes an update of the City’s Parking Chapter. That work is underway by Good City Company and anticipated to be completed in early 2020.

**FISCAL IMPACT:**

None. No local matching funds are required for this grant. However, the grant funds are unlikely to cover the full cost of the Zoning Code Update. It is estimated the full cost could be approximately $350-500,000. If the City obtains the grant funding, the City will also seek authorization of additional funds to complete the full project.

**ALTERNATIVES:**

1. Do not adopt the resolution and identify other sources of funding to complete the comprehensive zoning code update.

**RECOMMENDATION:**

Adopt a Resolution Authorizing the Application for, and Receipt of, State of California SB 2 Planning Grants Program Funds in the amount of $160,000
DISTRIBUTION:

None

ATTACHMENTS:
1. Resolution
2. SB 2 Planning Grants NOFA
3. SB 2 Planning Grants Draft Application

DATE PREPARED:

September 30, 2019
RESOLUTION NO. 2019-____

RESOLUTION AUTHORIZING APPLICATION FOR, AND RECEIPT OF, STATE OF CALIFORNIA SB 2 PLANNING GRANTS PROGRAM FUNDS FOR THE CITY OF SAN BRUNO

WHEREAS, the State of California, Department of Housing and Community Development (“Department”) has issued a Notice of Funding Availability (NOFA) dated March 28, 2019, for its Planning Grants Program (PGP); and

WHEREAS, the City of San Bruno City Council desires to submit a project application for the PGP program to accelerate the production of housing and will submit a 2019 PGP grant application as described in the Planning Grants Program NOFA and SB 2 Planning Grants Program Guidelines released by the Department for the PGP Program; and

WHEREAS, the Department is authorized to provide up to $123 million under the SB 2 Planning Grants Program from the Building Homes and Jobs Trust fund for assistance to Counties (as described in Health and Safety Code Section 50470 et seq. (Chapter 364, Statues of 2017 (SB 2)) related to the PGP Program.

NOW, THE CITY COUNCIL OF CITY OF SAN BRUNO RESOLVES AS FOLLOWS:

SECTION 1. The City of San Bruno is hereby authorized and directed to apply for and submit to the Department the 2019 Planning Grants Program application released March 28, 2019 in the amount of $160,000.

SECTION 2. In connection with the PGP grant, if the application is approved by the Department, the City Manager is authorized to enter into, execute, and deliver a State of California Agreement (Standard Agreement) for the amount of $160,000, and any and all other documents required or deemed necessary or appropriate to evidence and secure the PGP grant, the City of San Bruno’s obligations related thereto, and all amendments thereto (collective, the “PGP Grant Documents”).

SECTION 3. The City of San Bruno shall be subject to the terms and conditions as specified in the Standard Agreement, the SB 2 Planning Grants Program Guidelines, and any applicable PGP guidelines published by the Department. Funds are to be used for allowable expenditures as specifically identified in the Standard Agreement. The application in full is incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application will be enforceable through the executed Standard Agreement. The City Council hereby agrees to use the funds for eligible uses in the manner presented in the application as approved by the Department and in accordance with the Planning Grants NOFA, the Planning Grants Program Guidelines, and 2019 Planning Grants Program Application.
SECTION 4. The City Manager is authorized to execute the City of San Bruno Planning Grants Program application, the PGP Grant Documents, and any amendments thereto, on behalf of the City as required by the Department for receipt of the PGP Grant.

ATTEST:

_________________________________________  Date: __________________________
Melissa Thurman, CMC
City Clerk

-o0o-

I, Melissa Thurman, City Clerk, do hereby certify that the foregoing is a true copy of the resolution adopted by the City Council of the City of San Bruno in a meeting thereof held on this 8th day of October 2019 by the following vote:

AYES: Councilmembers: ____________________________________________
NOES: Councilmembers: ____________________________________________
ABSENT: Councilmembers: ____________________________________________
March 28, 2019

MEMORANDUM FOR: All Potential Applicants

FROM: Zachary Olmstead, Deputy Director
Division of Housing Policy Development

SUBJECT: NOTICE OF FUNDING AVAILABILITY - SB 2 PLANNING GRANTS PROGRAM

The Department of Housing and Community Development (Department) is pleased to announce the release of this Notice of Funding Availability (NOFA) for approximately $123 million under the Senate Bill 2 (SB 2, 2017) Planning Grants Program (PGP). SB 2 established a permanent source of funding intended to increase the affordable housing stock in California. The legislation directs the Department to use 50 percent of the first year’s revenue to establish a program that provides financial and technical assistance to local governments to update planning documents and land-use ordinances. The PGP is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production.

In order to be eligible for grant funding, an applicant must submit a complete, signed original application and an electronic copy on CD or USB flash drive. OTC applications will be accepted for an eight-month period ending on November 30, 2019. The Department will only accept applications through a postal carrier service that provides date stamp verification confirming delivery to the Department’s office, such as the U.S. Postal Service, UPS, FedEx, or other carrier services. No facsimiles, late applications, incomplete applications, application revisions, electronic submittals, or walk-in application packages will be accepted. All applications must be submitted to the Department at the following address:

Department of Housing and Community Development
Division of Housing Policy Development
2020 West El Camino Ave, Suite 500
Sacramento, CA 95833

PGP applications and forms are available on the Department’s website. Please refer to the Planning Grants Program Guidelines for detailed information on eligible activities, applicants, and awards. If you have questions regarding this NOFA, please email the Department at sb2planninggrant@hcd.ca.gov.

Attachment
PLANNING GRANTS PROGRAM (SB 2, 2017)  
2019 NOTICE OF FUNDING AVAILABILITY  

State of California  
Governor Gavin Newsom  

Alexis Podesta, Secretary 
Business, Consumer Services and Housing Agency  

Ben Metcalf, Director 
Department of Housing and Community Development  

Zachary Olmstead, Deputy Director 
Department of Housing and Community Development 
Division of Housing Policy Development  

2020 West El Camino Avenue, Suite 500 
Sacramento, CA 95833 
Telephone: (916) 263-2771 
Website: http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml 
Email: sb2planninggrant@hcd.ca.gov  

March 29, 2019
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I. Introduction

The Department is releasing this Notice of Funding Availability (NOFA) for approximately $123 million to make funding available to all local governments in California under the Senate Bill 2 (SB 2) Planning Grants Program (PGP). The PGP program is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production.

The PGP is authorized by Health and Safety Code sections 50470 et seq. (Chapter 364, Statutes of 2017, (SB 2)). Funding is subject to the December 2018 Planning Grants Program Guidelines (hereinafter referred to as the “Guidelines”), which includes detailed information on eligibility requirements, conditions, and procedures for awarding funds.

II. Program Summary

SB 2 (2017) is part of a 15 bill housing package aimed at addressing the state’s housing shortage and high housing costs. Specifically, SB 2 established a permanent source of revenue intended to increase the affordable housing stock in California.

PGP grants are funded through 50 percent of the revenues collected during the first calendar year (January through December, 2018). The PGP program is a one-time component of SB 2 that, among other provisions, provides financial and technical assistance to local governments to update planning documents in order to:

- Accelerate housing production;
- Streamline the approval of housing development affordable to owner and renter households at all income levels;
- Facilitate housing affordability, particularly for all income groups;
- Promote development consistent with the State Planning Priorities; and
- Ensure geographic equity in the distribution and expenditure of allocated funds

The Department, in conjunction with the Governor’s Office of Planning and Research, will provide technical assistance to localities pursuant to the provisions set forth in Article VII, Section 700(a) through (e) of the Guidelines. For further information, contact the Department at sb2planninggrant@hcd.ca.gov for details regarding local technical assistance.

Please refer to the Guidelines for other administrative provisions not summarized in this NOFA.
III. Program Timeline

Pursuant to Section 500(a) of the Guidelines, funds will be initially available to eligible applicants on a noncompetitive, over-the-counter (OTC) basis. Applications will be accepted over an eight-month period, commencing from the date of the release of this NOFA (Section 500(b) of the Guidelines). See Table 1 below for the projected timeline for awards for the initial OTC period.

<table>
<thead>
<tr>
<th>Event</th>
<th>Date(s)</th>
</tr>
</thead>
<tbody>
<tr>
<td>NOFA release</td>
<td>March 28, 2019</td>
</tr>
<tr>
<td>NOFA-Application Workshops / Webinar Period</td>
<td>April 1 - May 1, 2019</td>
</tr>
<tr>
<td>Final due date for OTC applications</td>
<td>November 30, 2019</td>
</tr>
<tr>
<td>Supplemental round</td>
<td>TBD</td>
</tr>
<tr>
<td>Anticipated end of grant term</td>
<td>June 30, 2022</td>
</tr>
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</table>

The Department anticipates awards in 2-3 month intervals, depending on the volume of applications, and reserves the right to make adjustments to the projected timeline at any time. If OTC funds are not fully awarded at the end of the eight-month period, the Department may extend the final OTC application due date or consider a supplemental funding round (Section 500(g) of the Guidelines). During any supplemental round, top priority will be given to localities that have not submitted a previous request for funding. All other applicants may be subject to competitive scoring criteria during any supplemental round (Section 500(g)(2) of the Guidelines).

IV. Funding Available

The Department determined maximum award amounts for large, medium, and small localities, based on population estimates from the Department of Finance (DOF). Table 2 below shows the minimum and maximum awards available pursuant to Article IV, Section 400 of the Guidelines. Applicants can view maximum award amounts for all jurisdictions [here](http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-5/).

<table>
<thead>
<tr>
<th>All Localities</th>
<th>Large Localities – Defined as ≥ 200,000 people</th>
<th>Medium Localities – Defined as 60,000 to 200,000 people</th>
<th>Small Localities – Defined as ≤ 60,000 people</th>
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</thead>
<tbody>
<tr>
<td>Minimum award amount:</td>
<td>$25,000</td>
<td>$625,000</td>
<td>$160,000</td>
</tr>
<tr>
<td>Maximum award amount:</td>
<td>$625,000</td>
<td>$310,000</td>
<td></td>
</tr>
</tbody>
</table>


Applicants seeking partnerships with other local governments will be additive. For example, two large localities could submit a proposal for up to $1.25 million; three small localities up to $480,000, etc. Note: All applicants, including those who are forming partnerships, [must submit separate, complete and signed application packages](http://www.dof.ca.gov/Forecasting/Demographics/Estimates/E-5/), pursuant to section X of this NOFA, to the Department in order to be awarded funds.
V. Eligible Applicants

Pursuant to Article II, Section 200 of the Guidelines, eligible applicants are limited to local governments, i.e., cities and counties. However, local governments may partner through legally binding agreements with other forms of governments or entities where the proposal will have a direct effect on land-use or development within the locality. This includes, but is not limited to, partnerships with other localities, regional governments, housing authorities, school districts, special districts, community based organizations, or any duly constituted governing body of an Indian Reservation or Rancheria.

Multi-jurisdictional partnerships between local governments are encouraged in order to coordinate with regional governments, leverage regional and state investment, promote consistency with the sustainable communities strategy, and affirmatively further fair housing.

Note: All localities must pass the Threshold Criteria as stated in section VIII of this NOFA. To ensure compliance with section VIII, all applicants, including those who are forming partnerships, must submit separate, complete and signed application packages, including resolutions, to the Department in order to be awarded funds.

VI. Eligible Activities

Applicants proposing Priority Policy Areas, as defined in section VIII of this NOFA, are automatically deemed to accelerate housing production without any documentation or demonstration to the Department.

Pursuant to Article III, Section 300 of the Guidelines, a variety of planning documents, planning activities and strategies, are considered eligible activities and must demonstrate a nexus to accelerating housing production, which may include:

(1) Updates to general plans, community plans, specific plans, local planning related to implementation of sustainable communities strategies, or local coastal plans;

(2) Updates to zoning ordinances;

(3) Environmental analyses that eliminate the need for project-specific review;

(4) Local process improvements that improve and expedite local planning;

(5) A smaller geography with a significant impact on housing production including an overlay district, project level specific plan, or development standards modifications proposed for significant areas of a locality, such as corridors, downtown or priority growth areas;

(6) The creation or enhancement of a housing sustainability district pursuant to AB 73 (Chapter 371, Statutes of 2017);

(7) Workforce housing opportunity zone pursuant to SB 540 (Chapter 369, Statutes of 2017);
(8) Zoning for by-right supportive housing, pursuant to Government Code section 65651 (Chapter 753, Statutes of 2018);

(9) Zoning incentives for housing for persons with special needs, including persons with developmental disabilities;

(10) Rezoning to meet requirements pursuant to Government Code Section 65583.2(c) and other rezoning efforts to facilitate supply and affordability;

(11) Rezoning for multifamily housing in high resource areas (according to Tax Credit Allocation Committee/Housing Community Development Opportunity Area Maps);

(12) Pre-approved architectural and site plans;

(13) Regional housing trust fund plans;

(14) SB 2 funding plans;

(15) Infrastructure financing plans;

(16) Environmental hazard assessments; data collection on permit tracking; feasibility studies, site analysis, or other background studies that are ancillary and part of a proposed activity with a nexus to accelerating housing production; and

(17) Other planning activities demonstrating a nexus to accelerating housing production.

Eligible activities may be part of a larger planning effort (e.g., a comprehensive zoning code update) if proposed activities have not been completed prior to the NOFA date, are distinct, and demonstrate a nexus to accelerating housing production.

As part of the PGP program, HCD, in coordination with the Governor’s Office of Planning and Research (OPR), will work with a team led by Placeworks to provide technical assistance (TA) to applicants throughout the application period. The TA team will work closely with regions, sub-regions, and counties to help jurisdictions identify activities and provide tools that will accelerate housing production. For further information, contact the Department at sb2planninggrant@hcd.ca.gov for details regarding local technical assistance.

VII. Eligible Uses

Pursuant to Article III, Section 302 of the Guidelines, grant funds shall be used for the costs of preparing and adopting the proposed activity. Subcontracting is allowable under conditions set forth in Section 302(c) of the Guidelines. Pursuant to Section 302(b) of the Guidelines, grant funds may not be used for administrative costs of persons employed by the grantee for activities not directly related to the proposed activity. No more than 5 percent of the grant amount may be used for administrative costs for any proposed use, to be approved by the Department upon disbursement.

Only approved and eligible costs incurred for work after the NOFA date, continued past the date of the Standard Agreement, and completed during the grant term, will be reimbursable. Approved and eligible costs incurred prior to the NOFA date are ineligible.
VIII. Threshold Requirements

In accordance with Article II, Section 201 of the Guidelines, all applicants must meet the following threshold requirements:

1. **Housing element compliance:** The applicant must have a housing element that has been adopted by the jurisdiction’s governing body by the date the applicant submits the application package, and is subsequently determined to be in substantial compliance with state housing element law pursuant to Gov. Code Section 65585 by the time of award. A jurisdiction’s current housing element compliance status can be obtained by referencing the Department’s website at [http://www.hcd.ca.gov/community-development/housing-element/index.shtml](http://www.hcd.ca.gov/community-development/housing-element/index.shtml) or emailing the Department at sb2planninggrant@hcd.ca.gov. For more information on housing element requirements, please contact Paul McDougall at paul.mcdougall@hcd.ca.gov.

Pursuant to Section 201(a)(2) of the Guidelines, applicants not meeting housing element requirements may be considered to meet this threshold requirement at the discretion of the Department on a case by case basis by applying factors such as significant progress in meeting housing element requirements (e.g., a draft found to meet statute, rezoning near completion), proposing activities to meet housing element requirements (e.g., rezoning to accommodate housing needs pursuant to Gov. Code Section 65583(c)(1)) and adoption of a compliant element prior to the award of funds.

2. **Annual Progress Report (APR) on the housing element:** The applicant must submit the APR to the Department, as required by Gov. Code section 65400, for the current or prior year by the date the applicant submits the application package.

3. **Nexus to accelerating housing production:** The applicant must propose and document plans or processes that accelerate housing production. The application must demonstrate a significant positive effect on accelerating housing production through timing, cost, approval certainty, entitlement streamlining, feasibility, infrastructure capacity, or impact on housing supply and affordability. An application not utilizing Priority Policy Areas must include an explanation and documentation of the nexus plans or processes impact on accelerating housing production based on a reasonable and verifiable methodology and must utilize the Department’s form (see Attachment 2 in the Application). A verifiable methodology may include a statement of support from a non-profit or for-profit developer that is active in the locality.

Applicants proposing Priority Policy Areas do not require a nexus demonstration and are automatically deemed to accelerate housing production without any documentation. Pursuant to Section 102(q) of the Guidelines, Priority Policy Areas means any of the following:
(a) **Rezone to Permit By-right**: Rezoning for significant additional housing capacity without, or lesser, discretionary review, or establishing zoning to permit residential development by-right, particularly multifamily, without discretionary action pursuant to Government Code Section 65583.2(h) and (i).

(b) **Objective Design and Development Standards**: Developing objective design standards or pre-approved site and architectural plans that facilitate non-discretionary permitting.

(c) **Specific Plans or Form based Codes Coupled with CEQA Streamlining**: Designating and rezoning for additional housing capacity or preparing specific plans or form codes that include zoning and development standards and plan-level environmental analysis that can be used to streamline future housing projects and facilitate affordability.

(d) **Accessory Dwelling Units (ADU) or Other Low-Cost Building Strategies**: Encouraging ADUs and other low-cost building types through actions above state law such as, outreach, fee waivers, pre-approved plans, website zoning clearance assistance, and other homeowner tools or finance tools. Also, establishing other approaches to intensify existing lower density residential areas and “missing model” typologies to encourage significantly more residential development (e.g., duplexes, triplexes) in lower density residential areas.

(e) **Expedited Processing**: Speeding up approvals and permit processing, including instituting programs that streamline or consolidate the review process or create a separate process for expedited review of housing projects.

(f) **Housing Related Infrastructure Financing and Fee Reduction Strategies**: Develop and implement approaches to local, regional or sub-regional housing related infrastructure financing. Create plans and programs to finance and increase infrastructure with accompanying enhanced housing capacity, such as enhanced infrastructure financing districts. Fee reduction and rationalization approaches, such as reassessing fees to adhere to best practices in reducing costs, deferrals, sliding scales or proportionate impacts fees (e.g., ADUs, transit oriented, and infill development, special needs housing), or fee transparency measures including publically available fee calculators.

**Note**: HCD will be rolling out best practice toolkits and technical assistance in these topic areas over the course of 2019.

**Note**: If the applicant is proposing only Priority Policy Areas ((PPA), as defined in section VIII, subsection (3) of the NOFA), do not fill out Attachment 2. However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of the application.

**State Planning and Other Planning Priorities**: Applicants must demonstrate that the locality is consistent with State Planning or Other Planning Priorities.
Consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years. Applicants must self-certify utilizing the Department’s form (see Attachment 1 in the Application).

IX. NOFA Application Workshops

The Department will hold workshops and a webinar to review the PGP NOFA and application, and will be conducting technical assistance to aid applicants throughout the OTC period. For a list of dates, times, and locations for the workshops as well as information on technical assistance, please visit the Department’s SB 2 Planning Grants webpage, or register here.

X. Application Submission Requirements

In order to be eligible for grant funding, an applicant must submit a complete, signed original application and an electronic copy on CD or USB flash drive. Applications will be accepted on an OTC basis for an eight-month period anticipated to end November 30, 2019. Note: All localities must pass the threshold criteria as stated in section VIII of this NOFA. To ensure compliance with section VIII, all applicants, including those who are forming or have formed partnerships, must submit separate, complete and signed application packages, including resolutions, to the Department in order to be awarded funds.

The Department will only accept applications through a postal carrier service that provides date stamp verification confirming delivery to the Department’s office, such as the U.S. Postal Service, UPS, FedEx, or other carrier services. No facsimiles, late applications, incomplete applications, application revisions, electronically submitted, or walk-in application packages will be accepted. All applications must be submitted to the Department at the following address:

Department of Housing and Community Development
Division of Housing Policy Development / Land Use Planning Unit
2020 West El Camino Ave, Suite 500
Sacramento, CA 95833

Applications must be on Department forms and cannot be altered or modified by the applicant. Program applications and forms are available on the Department’s website located at http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml#forms.

XI. Application Review Process

Each application will first be reviewed for completeness, threshold eligibility requirements, and accuracy. In order to be considered complete, an application must contain all requested information and supporting documentation. All applications must also meet the eligibility and threshold requirements as specified in this NOFA and the
If the application is ineligible, it will not be considered for funding. Applicants may resubmit their applications prior to the November 30, 2019 deadline. All applicants not meeting the eligibility and threshold requirements will be informed within 60 days from the date the Department receives the application.

XII. Applicant Notification

Applicants will be notified within 60 days of the Department’s receipt of their application regarding the status of their application and/or if any additional information is required (Section 500(e) of the Guidelines). Applicants will receive an official letter of award after the Department approves funding recommendations (Section 500(f) of the Guidelines).

XIII. Award Letter and Standard Agreement

Successful applicants will receive an Award Letter from the Department and will be awarded funds through the Standard Agreement process that will specify, among other things, the amount of funds granted, timeline for expenditure of funds, and the approved use of funds. Expenditure report dates and other requirements will also be identified in the SB 2 Planning Grants Program Standard Agreement.

XIV. Appeals

(1) Basis of Appeals:

(a) Upon receipt of the Department’s notice deeming an application incomplete or ineligible, applicants under this NOFA may appeal such decision(s) to the Director pursuant to this Section.

(b) No applicant shall have the right to appeal a decision of the Department relating to another applicant’s eligibility, point score, award, denial of award, or any other related matter.

(2) Appeals Process and Deadlines:

(a) Process. In order to lodge an appeal, applicants must submit to the Director by the deadline set forth in subsection (b) below, a written appeal which states all relevant facts, arguments, and evidence upon which the appeal is based. No new or additional information will be accepted. Once the written appeal is submitted to the Director, no further information or materials will be accepted or considered thereafter. Appeals are to be submitted to the Director at following address:

   Department of Housing and Community Development
   Division of Housing Policy Development
   2020 W. El Camino Avenue, Suite 500
   Sacramento, California 95833
   sb2planninggrant@hcd.ca.gov

   The Director will accept appeals delivered through a carrier service such as
the U.S. Postal Service, UPS, Fed Ex, or other carrier services that provide date stamp verification of delivery. Deliveries must be received during the Department’s weekday (non-state holiday) business hours of 9:00 a.m. to 5:00 p.m. Pacific Standard Time. Additionally, emails to the email address listed above will be accepted if the email time stamp is prior to the appeal deadline.

(b) Filing Deadline. Appeals must be received by the Director no later than (5) five business days from the date of the Department’s determination.

(3) Decision:

Any request to amend the Department’s decision shall be reviewed for compliance with the December 2018 Guidelines and the March 29, 2019 NOFA. The Director shall render his/her decision in writing within fifteen (15) business days of receipt of the applicant’s written appeal. The decision of the Director shall be the Department’s final decision, and shall not be appealable to any court or tribunal.

(4) Effectiveness:

In the event that the statute and/or guidelines governing the PGP program contain an existing process for appealing decisions of the Department with respect to NOFA awards made under such programs, this Section shall be inapplicable and all appeals shall be governed by such existing authority.

XV. Right to Modify or Suspend

The Department reserves the right, at its sole discretion, to suspend, amend, or modify the provisions of this NOFA at any time, including, without limitation, the amount of funds available hereunder. If such an action occurs, the Department will notify all interested parties and will post the revisions to the Department’s website. You may subscribe to the Department’s email list here: http://www.hcd.ca.gov/HCD_SSI/subscribe-form.html.
SB 2 Planning Grants Program Application

State of California
Governor Gavin Newsom

Alexis Podesta, Secretary
Business, Consumer Services and Housing Agency

Ben Metcalf, Director
Department of Housing and Community Development

2020 West El Camino, Suite 500
Sacramento, CA 95833
Website: http://www.hcd.ca.gov/grants-funding/active-funding/planning-grants.shtml
Email: sb2planninggrant@hcd.ca.gov

March 28, 2019
Revised July 10, 2019

ATTACHMENT 3
SB 2 Planning Grants Application

Planning Grants Program Application Packaging Instructions

The applicant is applying to the Department of Housing and Community Development (Department) for a grant authorized underneath the Planning Grants Program (PGP) provisions of SB 2 (Chapter 364, Statutes of 2017). The PGP program is intended for the preparation, adoption, and implementation of plans that streamline housing approvals and accelerate housing production. Please refer to the SB 2 Planning Grants Program Guidelines and Notice of Funding Availability (NOFA) for detailed information on eligible activities, applicants, and awards. If you have questions regarding this application or the PGP, email sb2planninggrant@hcd.ca.gov.

If approved for funding, this grant application will be a part of your Standard Agreement with the Department. In order to be considered for funding, all sections of this application, including attachments and exhibits if required, must be complete and accurate.

Pursuant to Section X of the NOFA, all applicants must submit a complete, signed, original application package and an electronic copy on CD or USB flash drive containing the following documentation, in the order listed below, to the Department by the specified due date in the Notice of Funding Availability (NOFA) in order to be considered for award:

1) A complete, signed, original application (the Department will only accept this fillable pdf as the application) with the following attachments:

   a. Attachment 1: State and Other Planning Priorities (All applicants must submit this form to self-certify compliance)

   b. Attachment 2: Nexus to Accelerating Housing Production - NOTE: if the applicant is proposing only Priority Policy Areas (PPA), as defined in section VIII, subsection (3) of the NOFA, do not fill out Attachment 2. However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of this application.

2) A fully executed resolution authorizing application for, and receipt of, PGP funds (see Attachment 3: Sample Resolution).


4) If the applicant is partnering with another local government or other entity pursuant to Article II, Section 200 of the SB 2 Planning Grant Program Guidelines (the “Guidelines”), include a copy of the legally binding agreement.

5) Other documentation (e.g., letters of support, scope of work, etc.) if needed.

NOTE: All local governments must submit a separate, signed application package, notwithstanding whether it will partner with another form of government or entity. Only one application per locality will be accepted by the Department. Joint applications are not allowed.
A. Applicant Information

Pursuant to Article II, Section 200 of the Guidelines, local governments may partner through legally binding agreements with other forms of governments or entities. However, all local governments must submit separate, signed application packages that identify their respective responsibilities and deliverables, even if partnering with other entities.

| Is the applicant partnering with another eligible local government entity? |
|-----------------------------|-----------------------|
| ☑️ Yes                      | "If Yes, the application package must include a fully executed copy of the legally binding agreement. Provide the partners' name(s) and type(s) below for reference only." |

Complete the following Applicant information

<table>
<thead>
<tr>
<th>Applicant’s Name</th>
<th>Jovan D. Grogan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Applicant’s Agency Type</td>
<td>City of San Bruno</td>
</tr>
<tr>
<td>Applicant’s Mailing Address</td>
<td>567 El Camino Real</td>
</tr>
<tr>
<td>City</td>
<td>San Bruno</td>
</tr>
<tr>
<td>State</td>
<td>California</td>
</tr>
<tr>
<td>County</td>
<td>San Mateo County</td>
</tr>
<tr>
<td>Website</td>
<td><a href="http://www.sanbruno.ca.gov">www.sanbruno.ca.gov</a></td>
</tr>
<tr>
<td>Authorized Representative Name</td>
<td>Jovan D. Grogan</td>
</tr>
<tr>
<td>Authorized Representative Title</td>
<td>City Manager</td>
</tr>
<tr>
<td>Phone</td>
<td>650-616-7056</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:jgrogan@sanbruno.ca.gov">jgrogan@sanbruno.ca.gov</a></td>
</tr>
<tr>
<td>Contact Person Name</td>
<td>Pamela Wu</td>
</tr>
<tr>
<td>Contact Person Title</td>
<td>Planning and Housing Manager</td>
</tr>
<tr>
<td>Phone</td>
<td>650-616-7053</td>
</tr>
<tr>
<td>Email</td>
<td><a href="mailto:pwu@sanbruno.ca.gov">pwu@sanbruno.ca.gov</a></td>
</tr>
</tbody>
</table>

Partner(s) Name (if applicable)

Partner Agency Type

Partner(s) Name (if applicable)

Partner Agency Type

Proposed Grant Amount | $160,000

B. Applicant Certification

As the official designated by the governing body, I hereby certify that if approved by HCD for funding through the Planning Grants Program (PGP), the City of San Bruno assumes the responsibilities specified in the 2019 Notice of Funding Availability and PGP guidelines, and certifies that the information, statements, and other contents contained in this application are true and correct.

Signature: ___________________________ Name: ___________________________ Jovan D. Grogan

Date: ___________________________ Title: ___________________________ City Manager
### C. Threshold Requirements

Pursuant to Section 201(a) through (d) of the Guidelines, all applicants must meet the following threshold criteria in items 1-4 below to be eligible for an award.

#### 1. Does the applicant have an adopted housing element found to be in substantial compliance by the Department on or before the date of the applicant’s submission of their SB 2 Planning Grant application?

<table>
<thead>
<tr>
<th>Yes</th>
<th>No</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td></td>
</tr>
</tbody>
</table>

- Date of HCD Review Letter: **July 27, 2015**
- The Applicant requests HCD to consider housing element compliance threshold as met due to significant progress achieved in meeting housing element requirements.

#### 2. Has the applicant submitted to the Department the Annual Progress Report (APR) for the current or prior year on or before the date of submission of their SB 2 Planning Grant application?

<table>
<thead>
<tr>
<th>Yes</th>
<th>APR</th>
<th>Date Submitted</th>
</tr>
</thead>
<tbody>
<tr>
<td>✓</td>
<td>2017 CY Report</td>
<td>3/30/18</td>
</tr>
<tr>
<td>✓</td>
<td>2018 CY Report</td>
<td>3/28/19</td>
</tr>
</tbody>
</table>

| No |

#### 3. Is the applicant utilizing one of the Priority Policy Areas listed below (as defined in section VIII, subsection (3) of the NOFA)?

| Yes |

- *If the applicant is proposing only Priority Policy Areas, do not fill out Attachment 2. However, if the applicant is proposing to fund PPAs AND other activities that are not considered PPAs, the application must demonstrate how these other activities have a nexus to accelerating housing production by filling out Attachment 2 of this application.*

<table>
<thead>
<tr>
<th>Rezone to permit by-right</th>
<th>Objective design and development standards</th>
<th>Specific Plans or form based codes coupled with CEQA streamlining</th>
<th>Accessory Dwelling Units or other low-cost building strategies</th>
<th>Expedited processing</th>
<th>Housing related infrastructure financing and fee reduction strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>✓</td>
<td>✓</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

- If an applicant is not proposing Priority Policy Areas, the application must include an explanation and document the plans or processes’ nexus and impact on accelerating housing production based on a reasonable and verifiable methodology and must submit Attachment 2 in the Application pursuant to section VIII, subsection (3) of the NOFA.

- The applicant is proposing PPAs and other activities not considered PPAs and is demonstrating how these activities have a nexus to accelerating housing production by submitting Attachment 2.

#### 4. Does the applicant demonstrate that the locality is consistent with State Planning or Other Priorities, as certified in Attachment 1?

| Yes | ✓ | No | *No | |

*If No, consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years, as certified in Attachment 1.*

#### 5. Is a completed and signed resolution included with the application package?

| Yes | ✓ | No | |

See Attachment 3, “Sample Resolution”
D. Proposed Activities Checklist (Section VI, items (1) through (17) of the NOFA)

Check all activities the locality is undertaking for their PGP efforts below. Activities must match Section E. Project Description, and Section F. Timeline and Budget.

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>updates to general plans, community plans, specific plans, local planning related to implementation of sustainable communities strategies, or local coastal plans</td>
</tr>
<tr>
<td>2</td>
<td>updates to zoning ordinances</td>
</tr>
<tr>
<td>3</td>
<td>environmental analyses that eliminate the need for project-specific review</td>
</tr>
<tr>
<td>4</td>
<td>local process improvements that improve and expedite local planning</td>
</tr>
<tr>
<td>5</td>
<td>a smaller geography with a significant impact on housing production including an overlay district, project level specific plan or development standards modifications proposed for significant areas of a locality, such as corridors, downtown or priority growth areas</td>
</tr>
<tr>
<td>6</td>
<td>the creation or enhancement of a housing sustainability district pursuant to AB 73 (Chapter 371, Statutes of 2017)</td>
</tr>
<tr>
<td>7</td>
<td>workforce housing opportunity zone pursuant to SB 540 (Chapter 369, Statutes of 2017)</td>
</tr>
<tr>
<td>8</td>
<td>zoning for by-right supportive housing, pursuant to Government Code section 65651 (Chapter 753, Statutes of 2018)</td>
</tr>
<tr>
<td>9</td>
<td>zoning incentives for housing for persons with special needs, including persons with developmental disabilities</td>
</tr>
<tr>
<td>10</td>
<td>rezoning to meet requirements pursuant to Government Code Section 65583.2(c) and other rezoning efforts to facilitate supply and affordability</td>
</tr>
<tr>
<td>11</td>
<td>rezoning for multifamily housing in high resource areas (according to Tax Credit Allocation Committee/Housing Community Development Opportunity Area Maps)</td>
</tr>
<tr>
<td>12</td>
<td>pre-approved architectural and site plans</td>
</tr>
<tr>
<td>13</td>
<td>regional housing trust fund plans</td>
</tr>
<tr>
<td>14</td>
<td>funding plans for SB 2 Year 2 going forward</td>
</tr>
<tr>
<td>15</td>
<td>infrastructure financing plans</td>
</tr>
<tr>
<td>16</td>
<td>environmental hazard assessments; data collection on permit tracking; feasibility studies, site analysis, or other background studies that are ancillary and part of a proposed activity with a nexus to accelerating housing production</td>
</tr>
<tr>
<td>17</td>
<td>Other activities demonstrating a nexus to accelerating housing production</td>
</tr>
</tbody>
</table>
E. Project Description

Provide a description of the project and the scope of work to be performed below. Use Appendix A for additional information if necessary. **Note:** If partnering with another local government or entity, be sure to clarify the responsibilities and deliverables of your locality pursuant to such partnership.

**Zoning Code Update**

The City is required to prepare and adopt a comprehensive zoning code update in order to implement the General Plan that was adopted in 2009 and the Transit Corridors Specific Plan (TCP) that was adopted in 2013. The Zoning Code and Zoning Map have not been revised to be consistent with neither the 2009 General Plan nor the 2013 TCP. Additionally, the housing opportunity sites identified in the 2015 Housing Element to meet the City’s RHNA goals have not had their zoning classification changed to allow for residential uses at the densities and intensities that were intended in the Housing Element. The City proposes to use SB2 grant fund to conduct a comprehensive zoning code update to be General Plan and TCP compliant and consistent.

Specifically, the Zoning Code update will implement the General Plan Mixed Use and Multi-Use Residential Focus land use designations to create the corresponding Zoning Districts to promote high-intensity mixed-use development to provide adequate sites to meet the RHNA goals. The comprehensive zoning code update is also part of the City’s Housing Element implementation strategies (HE Programs 2-A and 2-B).

The City has retained a planning consultant, Good City Company to initiate the first phase of the Zoning Code Update which is the Parking Chapter, as required by the Housing Element. The City seeks to initiate and complete the housing-related portions of the zoning code update in 2020.
## F. Project Timeline and Budget

<table>
<thead>
<tr>
<th>Objective</th>
<th>Responsible Party</th>
<th>Est. Cost</th>
<th>Begin</th>
<th>End</th>
<th>Deliverable</th>
<th>*PPA</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>1/1/20</td>
<td>1/31/20</td>
<td>Good city to meet with city staff and evaluate code inconsistency</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 20,000</td>
<td>2/1/20</td>
<td>3/31/20</td>
<td>Prepare admin draft/review</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 20,000</td>
<td>4/1/20</td>
<td>4/30/20</td>
<td>Prepare final draft/review</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 15,000</td>
<td>5/1/20</td>
<td>8/31/20</td>
<td>Present to Planning Commission - Study Sessions</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>6/1/20</td>
<td>7/31/20</td>
<td>Revised based on PC Feedback</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>8/1/20</td>
<td>8/31/20</td>
<td>Present to PC for adoptoin</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 5,000</td>
<td>3/1/20</td>
<td>8/31/20</td>
<td>Prepare draft CEQA document</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>9/1/20</td>
<td>9/30/20</td>
<td>Prepare staff report</td>
<td>Yes</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>10/1/20</td>
<td>10/31/20</td>
<td>Prepare ordinances</td>
<td>No</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000.00</td>
<td>11/1/20</td>
<td>11/30/20</td>
<td>Prepare final CEQA document</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 15,000</td>
<td>3/1/20</td>
<td>7/31/20</td>
<td>Present to City Council - Session Study</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>8/1/20</td>
<td>10/30/20</td>
<td>Final revisions based on CC comments</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning code update to be consistent with GP and TCP</td>
<td>Applicant</td>
<td>$ 5,000</td>
<td>11/1/20</td>
<td>12/31/20</td>
<td>Present to City Council for final adoption</td>
<td>N/A</td>
<td></td>
</tr>
<tr>
<td>Zoning map update (GIS work)</td>
<td>Applicant</td>
<td>$ 10,000</td>
<td>6/1/20</td>
<td>12/31/20</td>
<td>Prepare new GIS based Zoning Maps</td>
<td>N/A</td>
<td></td>
</tr>
</tbody>
</table>

*Priority Policy Area (PPA)
### SB 2 Planning Grants Application

#### G. Legislative Information

<table>
<thead>
<tr>
<th>District</th>
<th>#</th>
<th>Legislator Name</th>
</tr>
</thead>
<tbody>
<tr>
<td>Federal Congressional District</td>
<td>14</td>
<td>Congresswoman Jackie Speier</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>22</td>
<td>Assembly Member Kevin Mullin</td>
</tr>
<tr>
<td>State Assembly District</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>13</td>
<td>Senator Jerry Hill</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Applicants can find their respective State Senate representatives at [https://www.senate.ca.gov/](https://www.senate.ca.gov/), and their respective State Assembly representatives at [https://www.assembly.ca.gov/](https://www.assembly.ca.gov/).
Attachment 1: State and Other Planning Priorities Certification (Page 1 of 3)

Pursuant to Section 201(d) of the Guidelines, all applicants must demonstrate that the locality is consistent with State Planning or Other Planning Priorities by certifying that at least one activity was completed in 1) State Planning Priorities (i.e., Infill and Equity, Resource Protection, Efficient Development Patterns) or 2) Other Planning Priorities (i.e., Affordability, Conservation, or Climate Change). Consistency may be demonstrated through activities (not necessarily proposed for SB 2 funding) that were completed within the last five years.

Complete the following self-certification by selecting one or more of the policy areas in the following tables by inserting the date completed for each applicable action, briefly describing the action taken, and certifying.

### State Planning Priorities

<table>
<thead>
<tr>
<th>Date Completed</th>
<th>Brief Description of the Action Taken</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Promote Infill and Equity</strong></td>
<td></td>
</tr>
<tr>
<td>Rehabilitating, maintaining, and improving existing infrastructure that supports infill development and appropriate reuse and redevelopment of previously developed, underutilized land that is presently served by transit, streets, water, sewer, and other essential services, particularly in underserved areas.</td>
<td>7/26/16 Adoption of City's walk-n-bike plan to promote bicycle and pedestrian network</td>
</tr>
<tr>
<td>Seek or utilize funding or support strategies to facilitate opportunities for infill development.</td>
<td></td>
</tr>
<tr>
<td>Other (describe how this meets subarea objective)</td>
<td></td>
</tr>
<tr>
<td>1/22/19 City Council authorized the downtown parking management plan to evaluate the community's parking concern and authorized the existing parking standard to be updated</td>
<td></td>
</tr>
<tr>
<td><strong>Promote Resource Protection</strong></td>
<td></td>
</tr>
<tr>
<td>Protecting, preserving, and enhancing the state's most valuable natural resources, including working landscapes such as farm, range, and forest lands; natural lands such as wetlands, watersheds, wildlife habitats, and other wildlands; recreation lands such as parks, trails, greenbelts, and other open space; and landscapes with locally unique features and areas identified by the state as deserving special protection.</td>
<td>8/27/19 Recent adoption of City's Green Infrastructure Plan</td>
</tr>
<tr>
<td>Actively seek a variety of funding opportunities to promote resource protection in underserved communities.</td>
<td></td>
</tr>
<tr>
<td>Other (describe how this meets subarea objective)</td>
<td></td>
</tr>
<tr>
<td><strong>Encourage Efficient Development Patterns</strong></td>
<td></td>
</tr>
<tr>
<td>Ensuring that any infrastructure associated with development, other than infill development, supports new development that does the following:</td>
<td>(1) Uses land efficiently.</td>
</tr>
</tbody>
</table>
### Attachment 1: State and Other Planning Priorities Certification (Page 2 of 3)

<table>
<thead>
<tr>
<th>(2) Is built adjacent to existing developed areas to the extent consistent with environmental protection.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(3) Is located in an area appropriately planned for growth.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2018</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(4) Is served by adequate transportation and other essential utilities and services.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(5) Minimizes ongoing costs to taxpayers.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Other (describe how this meets subarea objective)

### Other Planning Priorities

#### Affordability and Housing Choices

*Incentives and other mechanisms beyond State Density Bonus Law to encourage housing with affordability terms.*

<table>
<thead>
<tr>
<th>Efforts beyond state law to promote accessory dwelling units or other strategies to intensify single-family neighborhoods with more housing choices and affordability.</th>
</tr>
</thead>
<tbody>
<tr>
<td>2017</td>
</tr>
</tbody>
</table>

**Upzoning or other zoning modifications to promote a variety of housing choices and densities.**

| 2017 | Approved upzoning of the Skyline College residential development project to allow medium-residential instead of low-residential uses |

Utilizing surplus lands to promote affordable housing choices.

<table>
<thead>
<tr>
<th>Efforts to address infrastructure deficiencies in disadvantaged communities pursuant to Government Code Section 65302.10.</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
</tr>
</tbody>
</table>

Other (describe how this meets subarea objective)
### Conservation of Existing Affordable Housing Stock

**Policies, programs or ordinances to conserve stock such as an at-risk preservation ordinance, mobilehome park overlay zone, condominium conversion ordinance and acquisition and rehabilitation of market rate housing programs.**

- City has enacted regulations pertaining condominiums, community apartments and stock cooperatives since 1982 to preserve housing stocks for the protection of the community.

**Policies, programs and ordinances to protect and support tenants such as rent stabilization, anti-displacement strategies, first right of refusal policies, resources to assist tenant organization and education and "just cause" eviction policies.**

**Other (describe how this meets subarea objective)**

### Climate Adaptation

**Building standards, zoning and site planning requirements that address flood and fire safety, climate adaptation and hazard mitigation.**

- 2/12/19 Recent adopt of floodplain management regulations

**Long-term planning that addresses wildfire, land use for disadvantaged communities, and flood and local hazard mitigation.**

**Community engagement that provides information and consultation through a variety of methods such as meetings, workshops, and surveys and that focuses on vulnerable populations (e.g., seniors, people with disabilities, homeless, etc.).**

**Other (describe how this meets subarea objective)**

### State and Other Planning Priorities Certification

I certify under penalty of perjury that all of the information contained in this PGP State Planning and Other Planning Priorities certification form (pages 9, 10, and 11 of this application) is true and correct.

**Certifying Officials Name:** Jovan Grogan

**Certifying Official’s Title:** City Manager

**Certifying Official’s Signature:**

**Certification Date:**
Attachment 2: Application Nexus to Accelerating Housing Production

*Fill out Attachment 2 only if the applicant answered “No” to item 3 in Section C or is utilizing Policy Priority Areas AND other activities not designated as such. Applicants answering “Yes” to question 3 in Section C and utilizing ONLY Priority Policy Areas are automatically deemed to demonstrate a nexus to accelerating housing production, and do not need to complete this form.*

Pursuant to section VIII, subsection (4) of the NOFA, applicants shall demonstrate how the application includes a nexus to accelerating housing production. Please complete the following chart by providing information about the current conditions and expected outcomes with respect to the planned activity and housing production. Please attach documentation as necessary and see the NOFA for additional details. Quantify how the activity accelerates production below and use Appendix B to explain the activity and its nexus to accelerating housing production if necessary.

<table>
<thead>
<tr>
<th>Type (Select at least one)</th>
<th><strong>Baseline</strong></th>
<th><strong>Projected</strong></th>
<th><em><strong>Difference</strong></em></th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Timing (e.g., reduced number of processing days)</td>
<td>3+ years</td>
<td>6-9 month</td>
<td>2-2.5 years</td>
<td>Requires rezone or PD permit for higher density uses</td>
</tr>
<tr>
<td>Development cost (e.g., land, fees, financing, construction costs per unit)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Approval certainty and reduction in discretionary review (e.g., prior versus proposed standard and level of discretion)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Entitlement streamlining (e.g., number of approvals)</td>
<td>5 entitlements</td>
<td>2 approvals</td>
<td>3 entitlements</td>
<td>Would require rezone, PD, CUP, ARC and parking except.</td>
</tr>
<tr>
<td>Feasibility of development</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Infrastructure capacity (e.g., number of units)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Impact on housing supply and affordability (e.g., number of units)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Baseline – Current conditions in the jurisdiction (e.g. 6-month development application review, or existing number of units in a planning area)*

**Projected – Expected conditions in the jurisdiction because of the planning grant actions (e.g. 2-month development application review)**

***Difference – Potential change resulting from the planning grant actions (e.g., 4-month acceleration in permitting, creating a more expedient development process)**
RESOLUTION NO. 2019-XX
A RESOLUTION OF THE [CITY COUNCIL/COUNTY BOARD OF SUPERVISORS] OF
___[CITY, COUNTY NAME]__
AUTHORIZING APPLICATION FOR, AND RECEIPT OF,
SB 2 PLANNING GRANTS PROGRAM FUNDS

WHEREAS, the State of California, Department of Housing and Community Development (Department) has issued a Notice of Funding Availability (NOFA) dated March 28, 2019, for its Planning Grants Program (PGP); and

WHEREAS, the [City Council/County Board of Supervisors] of ______________ (City/County) desires to submit a project application for the PGP program to accelerate the production of housing and will submit a 2019 PGP grant application as described in the Planning Grants Program NOFA and SB 2 Planning Grants Program Guidelines released by the Department for the PGP Program; and

WHEREAS, the Department is authorized to provide up to $123 million under the SB 2 Planning Grants Program from the Building Homes and Jobs Trust Fund for assistance to Counties (as described in Health and Safety Code section 50470 et seq. (Chapter 364, Statutes of 2017 (SB 2)) related to the PGP Program.

NOW, THEREFORE, THE [CITY COUNCIL/COUNTY BOARD OF SUPERVISORS] OF ______________ RESOLVES AS FOLLOWS:

SECTION 1. The [City Council/County Board of Supervisors] is hereby authorized and directed to apply for and submit to the Department the 2019 Planning Grants Program application released March 28, 2019 in the amount of $______________.

SECTION 2. In connection with the PGP grant, if the application is approved by the Department, the [insert designee title, e.g. City Manager, Executive Office, etc.] is authorized to enter into, execute, and deliver a State of California Agreement (Standard Agreement) for the amount of $______________, and any and all other documents required or deemed necessary or appropriate to evidence and secure the PGP grant, the [City/County's] obligations related thereto, and all amendments thereto (collectively, the "PGP Grant Documents").

SECTION 3. The [City/County] shall be subject to the terms and conditions as specified in the Standard Agreement, the SB 2 Planning Grants Program Guidelines, and any applicable PGP guidelines published by the Department. Funds are to be used for allowable expenditures as specifically identified in the Standard Agreement. The application in full is incorporated as part of the Standard Agreement. Any and all activities funded, information provided, and timelines represented in the application will be enforceable through the executed Standard Agreement. The [City Council/County Board of Supervisors] hereby agrees to use the funds for eligible uses in the manner presented in the application as approved by the Department and in accordance with the Planning Grants NOFA, the Planning Grants Program Guidelines, and 2019 Planning Grants Program Application.

SECTION 4. The [insert the title of City Council/County Board of Supervisors Executive or designee] is authorized to execute the [City/County] of ______________ Planning Grants Program application, the PGP Grant Documents, and any amendments thereto, on behalf of the [City/County] as required by the Department for receipt of the PGP Grant.

ADOPTED ______________, 2019, by the [City/County] Board of Supervisors of the County of ______________ by the following vote:

AYES:
NOES:
ABSENT:
ABSTAIN:
_________________________ County Executive
ATTEST: APPROVED AS TO FORM:

__________________________________________
County Clerk County Attorney
Appendix A

Use this area for additional information if necessary.
Use this page to explain the nexus to accelerating housing production or for project description.
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Melissa Thurman, City Clerk

SUBJECT: Adopt a Resolution Amending the City Classification Plan by Adopting Position Description and Salary Range for Deputy City Clerk

BACKGROUND:

The City Clerk is the local official for elections, local legislation, the Political Reform Act, and the Brown Act (open meeting laws). The City Clerk’s Office ensures that legislative actions follow all federal, state and local statutes and regulations and that all actions are properly executed, recorded and archived. The Office of the City Clerk is a dynamic information center whose services impact a diverse clientele, including the general public and other governmental agencies. It promotes open government and the democratic process by preserving and maximizing public access to City records and strives to improve the administration of the affairs of the City Clerk’s Office consistent with applicable laws and through sound management practices to produce continued progress and fulfill the needs of the Community and City of San Bruno.

To accomplish this, it is essential that the City Clerk’s Office be modernized, innovative and that staff members have the required knowledge, abilities and experience to meet the needs of the City Clerk’s Office and the City as a whole. In the past year, the City Clerk has begun the process of modernizing the Office of the City Clerk to bring more efficiency and innovation to manage its services.

One area the City Clerk identified in the review of department efficiencies was the staffing within the department. Currently there are two positions within the City Clerk department, the City Clerk and a Secretary. To bring the department to more modern levels with technology and overall improvements, the need was identified for a Deputy City Clerk who could perform more technical duties within the department. The City Clerk worked with Human Resources to draft a job description for the position of Deputy City Clerk and scheduled the presentation of the job duties to the Personnel Board on September 25, 2019.

One of the major responsibilities of the Personnel Board is to review the City’s classification plan and review proposed or revised job descriptions for recommendation to the City Council for final approval. The Personnel Board reviewed the Deputy City Clerk job description and with some revisions, now included in the job description,
recommended its final approval at the September 25, 2019 Personnel Board meeting, with a 2-0-1 vote, with Board Member Fuentes absent.

DISCUSSION:

The City Clerk is requesting that the position of Secretary within the City Clerk’s Office be reclassified to a new class specification of Deputy City Clerk. Historically the Secretary has acted in an administrative role within the City Clerk department and has provided support to the City Clerk, and other departments. Moving forward, some of the duties the Deputy City Clerk will be responsible for will include managing a review and update to the City’s records management policy, providing assistance with the creation of the annual department budget, and assist the City Clerk with the oversight of the City’s Committees, Boards and Commissions. The full job description for the position of Deputy City Clerk is referenced as Attachment 2 of this report.

The salary range for the Deputy City Clerk is itemized in the table below. The position of Secretary was an unrepresented, at-will position and had benefits commiserate with the miscellaneous bargaining unit of the city. The Deputy City Clerk will continue to be an unrepresented, at-will position and will have benefits commiserate with the miscellaneous bargaining unit of the city.

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FISCAL IMPACT:

Based on the length of time the Secretary has been employed with the City of San Bruno, and the complexities of some of the newer job descriptions, the City Clerk is requesting that the Deputy City Clerk be placed at the Step 5 position of the salary range, which will equate to $82,500 annually and which is $11,956 more than the Step 5 Secretary range. The additional cost has been budgeted at $12,000, which includes benefits, in the Fiscal Year 2019-2020 budget, assuming that additional expense will be incurred for 6 months in the fiscal year, with the recommended salary range. The position reclassification will be included in the FY2020-2021 City Clerk’s budget as well, and every year thereafter.

ALTERNATIVES:

1. Do not approve the new job description or salary range for Deputy City Clerk.
2. Direct changes to the job description or salary range.

RECOMMENDATION:

Adopt Resolution Amending the City Classification Plan by Adopting Position Description and Salary Range for Deputy City Clerk
ATTACHMENTS:

1. Resolution
2. Deputy City Clerk Job Description

PREPARED ON:
September 18, 2019
RESOLUTION NO. 2019 -
ADOPT RESOLUTION AMENDING THE CITY CLASSIFICATION PLAN BY ADOPTING POSITION DESCRIPTION AND SALARY RANGE FOR DEPUTY CITY CLERK

WHEREAS, that pursuant to Rule IV, Section 1 through 6 of the Personnel Rules and Regulations of the City of San Bruno, Resolution No. 1958-148, as amended, the Classification Plan of said Personnel Rules and Regulations is amended by immediately adopting the Headend Technician job description.

WHEREAS, the Deputy City Clerk job description was presented to the Personnel Board for their review and recommendation to the City Council for adoption;

NOW, THEREFORE, BE IT RESOLVED that the description of typical duties and responsibilities, training, experience and other qualifications required for said position, more particularly set forth in Exhibit A, attached, is made a part hereof, and are hereby approved and adopted.

BE IT FURTHER RESOLVED that the San Bruno City Council hereby approves following monthly salary for the position of Deputy City Clerk as shown below (effective January 2019):

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I, Melissa Thurman, City Clerk, do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of San Bruno this 8th day of October 2019 by the following vote:

AYES: COUNCILMEMBERS:____________________________________________________
NOES: COUNCILMEMBERS:___________________________________________________
ABSENT: COUNCILMEMBERS:_________________________________________________

Dated: October 8, 2019

ATTEST:

Melissa Thurman, CMC
City Clerk
Position Description

DEPUTY CITY CLERK

GENERAL PURPOSE

Under general direction, perform the full range of confidential and complex office administration to support the City Clerk function, act as the City Clerk in his/her absence, and perform a variety of duties relative to assigned area of responsibility. This is a Fair Labor Standards Act (FLSA) non-exempt position.

SUPERVISION RECEIVED

Works under the supervision of the City Clerk, or designee.

SUPERVISION EXERCISED

May supervise part-time staff and volunteers, as required or as assigned.

ESSENTIAL DUTIES AND RESPONSIBILITIES (Illustrative Only)

Provide varied technical, complex, specialized, and confidential office administrative support to the City Clerk and other City departments.

Assist in the preparation of City Council agendas, minutes, actions, ordinances, and resolutions. Assist in coordinating with other departments in preparing the agenda for City Council meetings, coordinate the collation and distribution of agenda packets.

Attend City Council meetings as needed. Prepare official minutes, resolutions, and ordinances for archiving.

Perform various duties required for the publication, filing, indexing, and safeguarding of all City Council proceedings. Maintain accurate and up-to-date records, logs and files including legislative history of City Council actions. Compose and prepare correspondence advising various individuals of City Council actions.

Assist in planning and conducting City municipal elections as required by state law and other legal requirements of the City Clerk’s Office. Process election candidate filing materials and attend election-related seminars conducted by San Mateo County Elections Division on an annual basis with the City Clerk.

Act as the City Clerk in his/her absence.
Act as Notary Public.

Assist in the maintenance of an archives area, or vault, for permanent City records; maintain an index of records located in the archives; retrieve records for staff and/or public when needed.

Assist in planning, implementing, and managing the City’s records management program including the maintenance of a records retention schedule covering all City records based on legal requirements of the State and other codes. May maintain official City Records management systems and agenda management systems. Develop and update records retention policies and procedures, and review policy for potential changes on an annual basis. Perform complex records management activities, including assigning record codes to documents, imaging and/or filing, storage, and destroying of City records. Assist other departments with the destruction of City records in compliance with the City records retention policy.

Prepare, receive, review, and process various reports and records.

Ensure compliance with the Public Records Act, the Freedom of Information Act, and the Brown Act. Review and monitor legal requests for records. Ensure that all public records are open to inspection at all times during office hours and that every person’s right to inspect any public record of the City is upheld.

Works in conjunction with the City Attorney’s Office and City Clerk’s Office respond to public records requests from the public by letter, telephone and in person regarding City Council action and records. Research information for public or City staff when necessary.

Notice, advertise and calendar public hearings. Prepare a variety of other notices in accordance with City, State, and Federal law. Assist other departments with legal advertisements, and schedule special meetings with the City Council on behalf of the City Manager’s office, if requested.

Certify ordinances, resolutions, agreements and other official documents and administer oaths of office. Perform proof of living services/foreign pension certification for residents as needed.

Compose and publish agendas and notices for regular or special meetings, public hearings, public bids and openings. Ensure compliance with legal guidelines. Adhere to proper legal noticing procedures. Prepare and maintain log of legal notice posting and publication.

Process release of bonds relating to bids, release bid bonds when all proper documents are in order and received.
Assist in the preparation and administration of the department budget. Monitor expenditures and recommend modifications or adjustments as necessary.

Organize, administer, maintain, and monitor all required California Fair Political Practices Commission (FPPC) filings and election campaign disclosure statements.

Assists the City Clerk and commission liaisons with commission recruitments, orientations, receptions, and general guidance and support. Review and approve all agendas and minutes for proper formatting and language for all Committees, Boards and Commissions. Perform recruitment for vacancies on all Committees, Boards and Commissions and assist the City Clerk with management of the bi-annual Appreciation Event for Committees, Boards and Commission Members on behalf of the City Council.

Update the City Clerk, City Council and Commission websites. Publish agendas and minutes in compliance with the Brown Act to the city website.

Perform other duties as assigned.

**PERIPHERAL DUTIES**

Serves as a member of various employee committees, as assigned.

Perform a variety of office administrative tasks including ordering supplies, arranging for meetings and transmitting information.

Participate in various committees as assigned; attend and participate in professional group meetings; stay abreast of new developments within assigned area of responsibility.

Attend regional, state and other trainings related to the City Clerk profession.

**MINIMUM QUALIFICATIONS**

**Knowledge of**

Operations, services, organizational procedures, and activities of the City Clerk’s Office and City government; principles and practices of current office administration, procedures, methods and equipment including computers and word processing spreadsheet applications; methods and techniques of research and analysis; word usage, spelling, grammar and punctuation; principles of business letter writing and basic report preparation; basic mathematical principles; principles and procedures of financial record keeping and reporting; pertinent federal, state and local codes, laws and regulations; governmental budgeting; procedures and practices of records management; principles, practices, and procedures related to public agency record keeping and the City Clerk function; automated and manual records management principles and practices, including legal requirements for recording, retention, storage,
and disclosure; organization and function of public agencies, including the role of an
elected City Council and appointed boards and commissions; applicable Federal, State,
and local laws, rules, regulations, ordinances, and organizational policies and
procedures relevant to assigned area of responsibility, including Public Records Act, the
Freedom of Information Act, and the Brown Act, California Fair Political Practices
Commission (FPPC) procedures and regulations, and election laws and procedures;
public documents including contracts and ordinances; municipal elections processes
and procedures; techniques for effectively representing the City in contacts with
governmental agencies, community groups, various business, professional, educational,
and regulatory organizations, and the public; techniques for providing a high level of
customer service by effectively dealing with the public, vendors, contractors, and City
staff.

**Ability to**

Maintain a variable work schedule based on needs of the City Clerk’s office; follow oral
and written instructions, communicate concisely and effectively both orally and in
writing, and keep records; establish and maintain effective working relationships with
employees, supervisors, other agencies, participants, instructors, community leaders,
and the general public; demonstrate sound judgment, timeliness, initiative and
independence; provide responsible secretarial and office administrative assistance to
the City Clerk; understand the organization and operation of the City and of outside
agencies as necessary to assume assigned responsibilities; interpret and apply
administrative and departmental policies and procedures; analyze and interpret
administrative procedures and regulations, legal documents and contracts; research,
compile and summarize a variety of informational materials; independently prepare
correspondence and memoranda; prepare clear and concise reports, documents and
correspondence; learn budgetary principles and practices; respond tactfully, clearly,
concisely and appropriately to inquiries from the public, press or other agencies on
sensitive issues in area of responsibility in an appropriate and professional manner;
operate office equipment including computers and supporting word processing and
spreadsheet applications; type and/or enter data at a speed necessary for successful
job performance; learn and implement a variety of computer software applications,
including specializes software for meeting agenda preparation and document imaging;
maintain accurate records and files; use specialized filing system for City records and
documents; ability to work as a team member or independently with minimal or no
supervision; establish and maintain effective working relationships with those contacted
in the course of work.

**Education and Experience**

High School Diploma or equivalent. Associate of Arts (AA) or Associate of Science (AS)
degree in public administration, business administration, or related field is highly
desirable.
Four (4) years of increasingly responsibility office administration, office management, preferably in a City Clerk’s office or public agency.

**SPECIAL REQUIREMENTS**

Ability to obtain and maintain valid California State Driver’s License.

Notary Public Commission issued by the California Secretary of State within six (6) months of appointment.

Certification as a Certified Municipal Clerk (CMC) is highly desirable.

**TOOLS AND EQUIPMENT USED**

Personal computer, including various software; calculator, copy and fax machine; phone; mobile radio; automobile.

**PHYSICAL DEMANDS**

The physical demands described here are representative of those that must be met by an employee to successfully perform the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of the job, the employee is frequently required to sit, talk and hear, use hands to finger, handle, feel or operate objects, tools, or controls; and reach with hands and arms. The employee is occasionally required to walk, climb or balance; stoop, kneel, crouch, or crawl. Employee must maintain physical condition appropriate to performance of job duties which may include sitting for long periods of time and operating assigned office equipment, and maintain stamina to attend and participate in evening meetings as assigned.

The employee must occasionally lift and/or move up to 25 pounds. Specific vision abilities required by this job include close vision, color vision, and the ability to adjust focus.

**WORK ENVIRONMENT**

The work environment characteristics described here are representative of those an employee encounters while performing the essential functions of this job. Reasonable accommodations may be made to enable individuals with disabilities to perform the essential functions.

While performing the duties of this job, the employee occasionally works in outside weather conditions. The employee is occasionally exposed to wet and/or humid
conditions, or airborne particles. The noise level in the work environment is usually quiet in the office, and moderate in the field.

**SELECTION GUIDELINES**

Formal application, rating of education and experience; oral interview and reference check; job related tests may be required.

The duties listed above are intended only as illustrations of the various types of work that may be performed. The omission of specific statements of duties does not exclude them from the position if the work is similar, related or a logical assignment to the position.

The job description does not constitute an employment agreement between the employer and employee and is subject to change by the employer as the needs of the employer and requirements of the job change.

Effective Date:
Resolution Number:
Revision History: N/A
DATE: October 8, 2019

TO: Honorable Mayor and Members of the City Council

FROM: Jovan D. Grogan, City Manager
       Marc Zafferano, City Attorney

SUBJECT: Adopt a Resolution Authorizing the City Manager to Enter into an Exclusive Negotiating Rights Agreement with the Selected Developer

EXECUTIVE SUMMARY

In October, 2012, the City first issued a Request for Qualifications/Proposals inviting written proposals from qualified developers to design, finance and build a high-quality, select-service hotel at The Crossing Development. The proposed 1.5 acre hotel site is owned by the City and borders Interstate 380 and El Camino Real.

The City Council unanimously selected OTO Development, LLC on February 26, 2013, and authorized the City Manager to enter into an Exclusive Negotiating Rights Agreement with OTO. The general purpose of such agreements is to provide a formal framework for continued negotiations with the developer regarding the details of a Purchase and Sale Agreement (PSA). The City subsequently negotiated and approved a PSA for $3.97 million with OTO in March 2016. Unresolved issues related to unionized labor to development and operations for the project delayed the project by several years. OTO ultimately informed the City in November 2018, that they would not close escrow on the site. Subsequently, the City engaged the services of CBRE in April 2019 to remarket the property to hotel developers/owners.

The remarketing of the site generated three offers to purchase the property and develop a hotel. The developers and the proposed offering prices are listed below.

- Kade Development, $7 Million
- Kuber Hotels, $6 Million
- Blackridge, $6 Million

On October 7, 2019 the City Council have received presentations from each developer that submitted a proposal in a special meeting beginning at 6:00 p.m. at San Bruno Center. At the regularly scheduled City Council meeting on October 8, 2019 the City Council will deliberate and decide if they want to authorize the City Manager to enter into an Exclusive Negotiating Rights Agreement with one of the three developers.

ITEM 6.a.
BACKGROUND

The project site is a vacant 1.5 acre parcel that is owned by the City of San Bruno. The site is located within The Crossing Development and borders Interstate 380 and El Camino Real, directly across from the shops at Tanforan shopping mall. For nearly twenty years, the City has envisioned a new hotel at the site to both improve hospitality offerings and generate ongoing revenue from hotel room taxes annually for San Bruno.

In 2001, the City Council certified a companion environmental impact report (EIR) and approved the original U.S. Navy Site and its Environs Specific Plan, which called for development of a seven story, 500-room full-service hotel with up to 15,000 square feet of meeting and retail space on what was, at that time, a 5.5 acre site. Over the years, the City Council has amended the Specific Plan to adapt to changing economic conditions: in 2001 to allow for “flex” office/residential sites, which allowed more multi-family housing to be built if the office market remained weak; and again in 2005 for development of the El Camino Real Commercial project, which brought several businesses to the area, including a thriving full-service sit-down restaurant (Jack’s).

The changes to the development site reduced the size of the original hotel property to 1.5 acres, which in turn resulted in the need to reduce the size of a potential hotel to approximately five stories and 152 rooms with 3,000 square feet of meeting space served by underground parking. As the economy changed, the City was paying close attention to the hotel market and development opportunities, all of which pointed to the high-quality select service product that was most viable for the site.

After completing the rest of The Crossing development, Martin Regis, The Crossing developer, was not interested in continuing to hold the property for a hotel project. On August 15, 2012, the City closed escrow to purchase the property from Martin Regis for $1.4 million. The City bought the property to ensure that it would be developed as a select service hotel in accordance with community standards and the desire to create much-needed community meeting space.

The City first issued a Request for Qualifications/Proposals for the hotel site on October 12, 2012. The goal was to solicit written proposals from qualified developers to design, finance and build a high-quality, select-service hotel at The Crossing. Subsequently, the City unanimously selected OTO Development, LLC on February 26, 2013, and authorized the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with OTO.

In 2016, San Bruno entered into a PSA with OTO Development, Inc. (OTO) agreeing to purchase the land from the City of San Bruno for $3.97 million. Planning entitlements were approved by the City in 2016 for a 5-story Springhill Suites hotel by Marriott hotel (approximately 70 feet high) with 152 rooms and 163 parking spaces (60 surface and 107 subterranean spaces). Residents circulated a voter referendum opposing the PSA; while the courts struck down the referendum and upheld the City’s position, continued unsuccessful appeals and questions related to union labor and operations continued to delay the project.

In October 2018, the City received notice from OTO indicating that they no longer wanted to pursue the project. Escalating construction costs, as well as uncertainty with respect to a pending decision by the California Department of Industrial Relations were cited by OTO as the primary reasons for withdrawing from the project. Despite OTO’s withdrawal from the project,
City staff pressed forward, with the support of the City Council, and pursued re-marketing the site.

In April 2019, the City engaged the services of a real estate broker, CBRE Group, Inc. (CBRE) to re-market the site to hotel developers with proven experience delivering projects in California and across the nation. CBRE created an offering memorandum website and directly marketed the site to national and international hotel owners/developers. The offering memorandum website can be found by Clicking Here\(^1\). The re-marketing effort generated three offers to purchase the property and develop a hotel. The developers and their offer price is listed below.

- Kade Development, $7 Million
- Blackridge, $6 Million
- Kuber Hotels, $6 Million

On October 7, 2019, the City Council will have received presentations from each of the developers in a Special Meeting beginning at 6:00 p.m. at the San Bruno Center. A link to the staff report and individual developer presentations for the October 7 meeting can be found on the City Council’s Agenda webpage at [https://www.sanbruno.ca.gov/gov/elected_officials/city_council_minutes_n_agendas.htm](https://www.sanbruno.ca.gov/gov/elected_officials/city_council_minutes_n_agendas.htm).

**DISCUSSION:**

After deliberations and inquiries, staff recommends that the City Council consider authorizing the City Manager to enter into an Exclusive Negotiating Rights Agreement (ENRA) with the one of the three developers. This will initiate a formal process to arrive at an agreed-upon Purchase and Sale Agreement for the project site. It will also provide a process whereby the City and the prospective developer can clarify and document the detailed development concept as well as the conditions preceding to closing escrow for the City’s transfer of the land.

The City expects that, while the ENRA process is occurring, the prospective developer will embark on a separate effort to formalize their personnel and contracting relationships related to the construction and operations of the future hotel. The terms and conditions of those relationships are important so that the City Council will have confidence that a hotel will be developed on the site within the anticipated timeline.

Below is the anticipated timeline, should the City Council select a preferred developer and enter into exclusive negotiations for the development of a Purchase and Sale Agreement.

**Preliminary Timeline:**

- October 2019 – February 2020: Negotiate Purchase and Sale Agreement (PSA)
- February/March 2020: Adoption of a fully negotiated PSA
- 2020-2021: Processing of Planning Entitlement and related public process
- 2021: Execution of the PSA (transfer of land from the City to the developer)
- 2021: Building permit review and approval

\(^1\) [https://www.cbredealflow.com/handler/modern.aspx?pv=Z-19J549zUFsSziezRAUlFbqOWpYQ8nQrOk_YmQVUyvi9xOGDs5yD2ZjEVfa3Ytc#_top](https://www.cbredealflow.com/handler/modern.aspx?pv=Z-19J549zUFsSziezRAUlFbqOWpYQ8nQrOk_YmQVUyvi9xOGDs5yD2ZjEVfa3Ytc#_top)
• 2021/2022: Construction begins
• 2023/2024: Hotel opens

FISCAL IMPACT:

Should the City authorize the City Manager to enter into an Exclusive Negotiating Rights Agreement with the one of the three developers, it is not anticipated to be a significant impact on the adopted budget, as negotiations will occur with City personnel with minimal assistance from consultants and external advisors that are not already under contract with the City, or whose costs will be reimbursed by standard develop deposits. The anticipated development of an upscale hotel will provide significant one-time revenue and on-going financial support for City programs and services as well as maintenance of public facilities and infrastructure.

ALTERNATIVES:

1. Provide staff with alternative direction to proceed with development of the vacant 1.5 acre parcel that is owned by the City of San Bruno at The Crossing Development.

RECOMMENDATION:

Adopt a Resolution Authorizing the City Manager to enter into an Exclusive Negotiating Rights Agreement with the Selected Developer [Kade Development, Blackridge, or Kuber Hotels].

ATTACHMENTS:

1. Resolution

DATE PREPARED:

October 2, 2019
RESOLUTION NO. 2019 - ___

RESOLUTION AUTHORIZING THE CITY MANAGER TO ENTER INTO AN EXCLUSIVE NEGOTIATING RIGHTS AGREEMENT WITH THE SELECTED DEVELOPER, _________

WHEREAS, The City purchased 1.5 acres of vacant property at The Crossing Development in August 2012 to ensure that it would be developed as a select service hotel in accordance with community standards and the desire to create much-needed community meeting space; and

WHEREAS, In October 2012, the City first issued a Request for Qualifications / Proposals inviting written proposals from qualified developers to design, finance and build a high-quality, select-service hotel at the site and ultimately negotiated and approved a purchase and sale agreement for $3.97 million with OTO Development Inc. in 2016. OTO Development Inc. withdrew from the project in October 2018; and

WHEREAS, In April 2019, the City engaged the services of a real estate broker, CBRE Group, Inc. (CBRE) to re-market the site to hotel developers with proven experience delivering projects in California and across the nation; and

WHEREAS, The re-marketing effort generated three offers to purchase the property and develop a hotel; and

WHEREAS, On October 7, 2019, the City Council received presentations from each of the developers in a City Council Special Meeting held at the San Bruno Center; and

WHEREAS, The City Council deliberated and decided to authorize the City Manager to enter into an Exclusive Negotiating Rights Agreement with the selected developer, _________; and

NOW, THEREFORE, BE IT RESOLVED that the San Bruno City Council hereby authorizes the City Manager to enter into an Exclusive Negotiating Rights Agreement with the Selected Developer, _________.

Dated: October 8, 2019

ATTEST:

______________________________
Melissa Thurman, CMC
City Clerk
I, Melissa Thurman, City Clerk, do hereby certify that the foregoing Resolution was duly and regularly passed and adopted by the City Council of the City of San Bruno this 8th day of October 2019 by the following vote:

AYES: Councilmembers: _____________________________
NOES: Councilmembers: _____________________________
ABSENT: Councilmembers: _____________________________