

PORTOLA VALLEY TOWN COUNCIL REGULAR MEETING NO. 959, DECEMBER 13, 2017

CALL TO ORDER AND ROLL CALL

Mayor Hughes called the Town Council's Regular meeting to order at 7:00 p.m. and led the Pledge of Allegiance. Ms. Hanlon called the roll.

Present: Councilmembers Mary Ann Moise Derwin, Jeff Aalfs, Ann Wengert; Vice Mayor John Richards, Mayor Craig Hughes.

Absent: None

Others: Jeremy Dennis, Town Manager
Cara Silver, Town Attorney
Sharon Hanlon, Town Clerk

ORAL COMMUNICATIONS

Kim Zamboldi expressed her concern about the lack of a cannabis moratorium. She said she drops off and picks up her 5th grade and 7th grade sons at Triangle Park and they consider it an extension of the school. She said, despite the Town's strict regulations, despite the unlikelihood that people will be lining up to apply for a permit on January 1, and despite the fact the Council could decide to put a 45-day moratorium in place right away, it leaves a lot of things out of the control of the concerned people in the community. She said it appears Portola Valley is the only Town that has opted to not have a moratorium. She asked the Council to reconsider putting a moratorium in place until the public can come and speak about the impact. She said there is a difference when a decision is made by default versus making a conscious choice to allow or not allow something. She requested that the Triangle Park area be made off limits for cannabis sales.

Quin and Griffin Murphy. Quin said she walks to Triangle Park with friends every day and doesn't think it's okay to sell marijuana where there are so many children. She said being around marijuana being smoked and sold could change their mindset and affect their brains in a negative way. Griffin said he goes to Triangle Park every day to pick up his brothers and next year he will walk there to get picked up. He said pot doesn't belong near kids.

Mayor Hughes asked Town Manager Dennis if there was an update on this matter. Town Manager Dennis said the Planning Commission created a subcommittee last week supported by staff to review the current Town regulations related to issues around commercial cannabis operations. The subcommittee met yesterday and will continue to meet, with the hope of bringing something back to Council in January.

(1) Presentation – Backyard Habitat Award by the Conservation Committee

Marge DeStaebler presented the 2017 Backyard Habitat Award to two families – the Eastmans and the Reinhardts.

(2) Reorganization of the Town Council

(a) Election of Mayor

Councilmember Derwin nominated John Richards for Mayor of Portola Valley. Seconded by Councilmember Wengert; the motion carried 5-0.

Councilmember Hughes shared various accomplishments from 2017, including public safety; traffic management; ALPR installation; new and improved Emergency Operations Plan; ASCC new Design Guidelines regarding home safety; establishment of at least 31 Neighborhood Watch Programs; initiation of a town-wide bicycle, pedestrian and traffic safety study to ensure the safety of pedestrians and cyclists; updated Green Building Ordinance; construction waste diversion program; ad-hoc committee's work on housing on Town lands; new ordinances and rules for ADUs; updated Ground Movement Potential Map; reorganized Sustainability and Water Conservation Committees, creation of the new SERC Committee; the Town's almost 100 percent usage of renewable energy through PCI; establishment of rodenticide policy; Spring Down Vernal Pool restoration; Town Center Master Plan Committee's work; completion of shoulder widening projects; promotion of Portola Valley as an inclusive community; the addition of a Communications Director; launching of new Town social media channels; healthy Town budgets; and new Town Attorney.

(b) Election of Vice Mayor

Councilmember Hughes nominated Ann Wengert for Vice Mayor of Portola Valley. Seconded by Councilmember Aalfs; the motion carried 5-0.

(3) Planning Commissioner Interview and Appointment

All applicants submitted applications, which were reviewed by the Council and included in the staff report. The applicants then participated in oral interviews with the Council.

(1) Kopf-Sill, Anne (by telephone).

Vice-Mayor Wengert said it was important for the Planning Commission to include a diversity of background and experience. She asked Ms. Kopf-Sill to describe her background and experience that best qualifies her for a position on the Planning Commission. Ms. Kopf-Sill said she has a Ph.D. in chemical engineering from Stanford and she is very good at absorbing lots of new information and large quantities of data, and then thinking about how to simplify, categorize, and present it so that it is understandable in order to make decisions. She said in her professional role she works on a lot of contracts and puts a lot of thought into how things that are written today may affect future activity. She said rules should be very clear.

Councilmember Aalfs asked Ms. Kopf-Sill's opinion regarding the process for committees working with the Town and asked if she had any suggestions for improvements, such as interaction with the Council or the public. Ms. Kopf-Sill said she has been very pleased working with the Town, staff, and other volunteers. She said it takes more finesse and personal skills to work as a volunteer. She said having so much good energy and volunteering in Town helps make people more accepting and understanding of the difficult decisions that are made.

Councilmember Derwin asked Ms. Kopf-Sill what she thought may be some important issues that the Planning Commission will be dealing with in the next few years. Ms. Kopf-Sill cited traffic management, crime, housing and land values, and affordable housing solutions, particularly for local firefighters and teachers.

Councilmember Hughes said finding affordable housing so a wider variety of people can live in or near town is a big issue. He said it seems likely that some of the Town's rules will need to be adjusted in order to achieve that goal. He asked Ms. Kopf-Sill, given the Town's history and ethos, how she would balance keeping things the same with making changes to solve some of these problems. Ms. Kopf-Sill said she is openminded about ideas for acceptable high-density in selective locations. She said there may be things that on the surface don't sound great, but may fit it quite well and provide great benefit, citing the Portola Valley Garage as an example. She said

she is openminded about higher-density housing, even if it's in her own backyard, i.e., the Stanford Wedge, and believes it's possible that can be accommodated while making sure there are still plenty of trees and open space around such a development.

(2) Kriese, Leslie

In addition to the qualifications described in her application letter, Ms. Kriese said she is good at working in groups and bringing consensus, is good with numbers, and is a quick study. She said she would like to help the Town navigate through the development of affordable housing. She said Portola Valley is a special Town and she wants to keep it that way but help move forward to deal with issues such as increased traffic, below-market-rate housing, and cannabis dispensaries.

Councilmember Hughes asked Ms. Kriese how she would approach the myriad issues around developing affordable housing. Ms. Kriese said there is first the aspect of finding a developable space and then the messaging around that. She said reminding people that this will allow their firefighters or teachers to live in the community will produce a more welcoming feeling about it.

Vice-Mayor Wengert said another big issue that the Planning Commission will be facing concerns around long-term planning for the Town, balancing the rural feel with the obvious pressures as pricing rises and land becomes more scarce, bringing a whole different group of people participating in this type of market. She asked Ms. Kriese how the municipal code can be pulled forward to protect what is most sacred to the Town, but also allow for the changes being discussed. Ms. Kriese said she has read the planning documents and she learned a lot more about the history of the Town. She said there is a lot of population pressure and more people using the Town recreationally, and the question will be how much the Town wants to develop the land. She said perhaps lot size requirements should be reduced to allow for more in-law units, secondary housing, or multiuse structures.

Councilmember Aalfs asked Ms. Kriese for an example of instances in which she's been able to forge a consensus and what helpful tools she used for that purpose. Ms. Kriese said she finds the most valuable tool is listening – looking someone in the eye, hearing what they have to say, and discerning what their hot button really is, because it's usually wrapped up in a bunch of other stuff. She said when the two or three hot buttons are on the table, they can then be worked on. She said very often the outcome is not at all what was expected and doesn't completely satisfy everybody's needs, but satisfies enough of them. She said the Woodside Pony Club had a piece of property that required a lot of property management with the Town of Woodside ordinances. She said she grew that organization to something that was highly respected within the national organization as being the powerhouse in the Western United States.

Councilmember Derwin asked Ms. Kriese's opinion regarding amending the Town's lighting, gate, and fence ordinances. Ms. Kriese said perhaps some of the gate ordinances could be amended, but the strict lighting rules are what help make the Town very special, to be able to walk out at night and see the stars. She said there may be tweaking and finetuning of ordinances to help with safety while still maintaining the core nature of them. Councilmember Derwin asked if Ms. Kriese would consider letting people have gates closer to the road or higher fences. Ms. Kriese said she would consider allowing gates closer to the road. She said increasing fence heights causes issues for the deer and the migratory paths of animals should not be altered.

Mayor Richards asked if Ms. Kriese has ever attended a Planning Commission meeting. She said she had not.

(3) Mainzer, William

In addition to the qualifications described in his application letter, Mr. Mainzer said he has a history of working with people and achieving results. Mr. Mainzer said the Planning Commission needs to look at crime and traffic mitigation.

Councilmember Derwin asked what attracted Mr. Mainzer to the Planning Commission as his first foray into Town government. Mr. Mainzer said he had been thinking about being a volunteer, and his architect suggested he would be a good addition to the Planning Commission due to his experience in construction management. Councilmember Derwin asked Mr. Mainzer's opinion regarding the Town's ordinances and rules. Mr. Mainzer said some of them could be updated, taking care to maintain the rural aspect of Town. He said it is important not to change everything just because everything is changing around us, but to look at the Town itself and see what can be changed. He said, for instance, the gate ordinance could be amended to help contain crime.

Councilmember Aalfs asked if Mr. Mainzer had specific ideas with regard to crime and traffic mitigation. Mr. Mainzer said the Commission can come to a consensus on ideas that will work for everyone, such as ways of using downlighting to make the Town a little safer.

Vice-Mayor Wengert said the discussions of crime and lighting is more relevant to the ASCC than the Planning Commission, having to do with management of existing properties as opposed to planning for the future. Vice-Mayor Wengert said the charge of the Planning Commission is to plan for the next 50 years. She asked Mr. Mainzer regarding how land is being managed today – the open space, the residential, density – and what things in that arena interest him the most. Mr. Mainzer said density and open space are important. He said with the lack of available space, he is not sure how to get to low income housing, which the Planning Commission will need to study carefully. He said the Town is attracting a younger demographic with more money.

Councilmember Hughes said the ASCC, Planning Commission, and Town Council, are the three bodies responsible for looking at different aspects of the rules. He asked Mr. Mainzer what he saw as the Planning Commission's role in that group of three bodies. Mr. Mainzer said the Planning Commission's ideas should go before the Council to be sure it fits in with the General Plan. He said he was not sure how they fit in with the ASCC, who seem to be on a slightly different page than long-term planning.

(4) Pierce, Andrew

Mr. Pierce said he is interested in the macro issues, the planning issues, and long-term issues such as the Western Hills, the future of retail and small office and non-office spaces, the housing element, and diversity. He said he is not interested in issues of architecture and design. He said he sat on the committee that rewrote the CC&Rs for Portola Valley Ranch in 2011. He sat on the ad hoc committee put together around the housing issues at the time, trying to figure out what to do with the funds from the Blue Oaks. He said the Town is doing well with second units, an area he is very interested in. He said, as a lawyer, he represents people in real estate cases, people in the cannabis industry in Santa Cruz County, business owners in Palo Alto, and people with rural land use issues in areas such as Pescadero. He said he is not tied to any one industry or type of client. He said he is not someone with strong prescriptive ideas and is much more interested in the long-term planning aspects and Town development than how tall a house is or where the gate is located.

Councilmember Derwin asked how the issues he described (Western Hills, retail space, housing) will fit in with the Town's General Plan and Zoning regulations. She asked if he thought there would need to be adjustments in the Zoning, the General Plan, etc., to accomplish some of these goals. Mr. Pierce said he likes the philosophy of the General Plan the way it is, possibly loosening it to some extent where necessary. He said some Towns have very prescriptive ideas on how they want, for example, a shopping center to look. He said that doesn't work because the market

doesn't react to it. He said we're in a situation where it would be irresponsible to just let the market do its thing because the prices are so ridiculous and land is so valuable, but we cannot just live in a bubble as if things will never change here. He is interested in how to manage those things.

Councilmember Aalfs asked Mr. Pierce if he thought the Town's planning process – around things like affordable housing, businesses, and open space – needed to be more collaborative with neighbors outside of Town to achieve some of our long-term planning goals. Mr. Pierce said in reading through the General Plan, it did occur to him that Portola Valley is a very small, locally-oriented Town. He said, however, we are part of Ladera and Woodside so that's the bubble. He said he did not think people would come here to buy cannabis. He said Portola Valley would not be a regional shopping center any time soon and would always be a small Town. He said it would be nice to provide more housing for people who work here, not just firefighters and teachers. He is interested in updating the demographics of the Town with more diversity.

Vice-Mayor Wengert asked, if looking at the limited resources and availability of priorities and time, since it's all volunteer, what Mr. Pierce saw as the top priorities and the greatest threats. Mr. Pierce said he does not know how imminent development of the Western Hills is, but that is something to think about longer term. He does not think the retail mix in Town is off, except everyone would like a drug store. He said if businesses close and other businesses want to move in, the Town should not reflexively say everything needs to be just so. He said this is a place where all the money was made by people being entrepreneurial and innovative. He said, in terms of resources, issues will be addressed as they come up. He said housing will always be an issue. He said he would want to focus on issues relative to current development plans.

Councilmember Hughes said another thing that causes traffic is people who live here going out of Town to work. He asked Mr. Pierce his thoughts regarding the Town's mix of businesses and the flexibility of rules for opening businesses here. Mr. Pierce said he would have to recuse himself if the issue ever came up, but he has always been interested in having a law office in Town, perhaps a small satellite office for his firm. He said the General Plan discourages office use and encourages very micro-local retail. He said he is not sure how realistic that is because the market is certainly not supportive of that. On the other hand, he does not see Portola Valley ever becoming a retail destination. He said a lot of people coming into Town are working construction, gardening, babysitting, dog walking, etc. He said the Town will never be lit up enough to make it crime free and there will never be housing provided for everyone who works here. He said, however, there can be more suitable housing provided.

Mayor Richards asked what Mr. Pierce thought about the compatibility of the General Plan and increased density. Mr. Pierce said there is nothing wrong with density. He said he's had five people living in his house and he's had two, and he prefers the five. He said the total number of units is what will change the quality of life in Town. He said if there are 20 new units in one small area, it will not change the Town dramatically. He said the Town needs to think responsibly about meeting the housing needs of the area. He said it is not ethical or responsible to remain in the bubble. He said second units only is not a viable solution over the long haul.

(5) Taylor, Craig

Mr. Taylor said he lives in Woodside Highlands, the highest density community in Portola Valley, with a different set of issues, and he'd like to make sure that those issues get represented in Town. He said as the geologist, the school teacher, the plumber moved out of his neighborhood, the doctor and the high-tech executive moved in. He said it is a different demographic now. He said volunteerism is critical in Town. He said he is very interested in strategic sustainability planning. He said he'd like to look at interesting ideas for providing retail services in Town. He said he is the Chair of the Open Space Committee and the Western Hills are important to him. He said at some point the Town will need to deal with El Mirador Ranch. He said he feels strongly

that gates and fences are for Atherton, not Portola Valley; however, he also understands that people are concerned about crime. He said technology can go a long way, and artificial barriers will not keep out a determined criminal.

Councilmember Hughes asked if Mr. Taylor would be leaving some of the other Committees he serves on in order to meet the obligations of the Planning Commission. Mr. Taylor said he has time to do all of them and has a plan to possibly change out the Chair of the Open Space Committee.

Vice-Mayor Wengert asked Mr. Taylor how he would prioritize his list of issues. He said the issues are strategic longer-term, such as the Town Master Plan, and tactical shorter-term. He said affordable housing is a critical issue. He said the Town could look at encouraging people to build second units with positive incentives instead of just removing roadblocks. He said well-planned density should be explored. He said it is critical to protect open space and the scenic corridor. He said some of the scenic corridor is being built on and it should be looked at carefully.

Councilmember Aalfs said there is a balance between reacting to applications and actually recruiting applications. He asked Mr. Taylor if he thought the Town should move on that balance. Mr. Taylor said the Town is pretty reactive, which is the job. He said if sustainability and changing demographics is the goal, then the Town should look at what services are needed and how to encourage those services to come in. He said once there is a list, then the Town could do things to positively encourage applications.

Councilmember Derwin said there was a lot of pressure placed on the Planning Commission last week to recommend to the Council that they put into place a 45-day moratorium on cannabis sales. She asked Mr. Taylor how he would stay focused on the facts and findings of an issue when faced with a lot of emotional testimony and pressure. Mr. Taylor said a lot of these things are fear-based, which is a very powerful emotion. He said the fear and emotion should be acknowledged, but then one should step back and look at the reality. He said he is supportive of not passing a moratorium; however, he does understand parents' concerns. He said these parents need to know they are being heard and their voices will not be lost in the decision-making process. He said unless someone is really attentive about an issue, things can get decided without citizens knowing that was the meeting they should have attended. He said making sure everyone knows what meetings to attend to have their voices heard is important. He said there should be an alternative to having to load a 200+ page staff report for the Town Council meeting, perhaps offering something like a highlights page.

Town Manager Dennis reminded the Council that one vacancy will be filled tonight and an additional vacancy will be upcoming and will be addressed at a later Council meeting.

Town Attorney Silver said the Town Clerk will be announcing the Councilmembers' votes.

Mayor Richards called for a five-minute break.

Councilmember Hughes voted for Anne Kopf-Sill. Councilmember Derwin voted for Andrew Pierce. Councilmember Aalfs, Mayor Richards, and Vice-Mayor Wengert voted for Craig Taylor.

Craig Taylor was appointed as the new Planning Commissioner.

Mayor Richards announced that another vacancy on the Planning Commission will be coming up soon and encouraged the applicants to reapply for the next vacancy.

CONSENT AGENDA [8:30 p.m.]

- (4) Approval of Minutes – Town Council Regular Meeting of November 8, 2017. *[Removed from Consent Agenda.]*
- (5) Ratification of Warrant List – November 22, 2017, in the amount of \$124,868.96.
- (6) Approval of Warrant List – December 13, 2017, in the amount of \$127,519.35.
- (7) Appointments by Mayor – Members to the Parks & Recreation Committee
- (8) Appointment by Mayor – Member to the Public Works Committee
- (9) Appointment by Mayor – Reappoint Jean Isaacson as President of the Woodside Highlands Road Maintenance District Advisory Board
- (10) Recommendation by Town Attorney – Approval of Settlement Agreement and Easement Agreement for Blue Oaks Homeowners' Association Conservation Easement *[Removed from Consent Agenda.]*
- (11) Recommendation by Town Manager and Town Attorney – Creation of Pooled Liability Assurance Network Joint Powers Authority (PLAN JPA)
 - (a) A Resolution of the Town Council of the Town of Portola Valley Approving and Authorizing the Execution of the Pooled Liability Assurance Network [Plan] Joint Exercise of Powers Agreement (Resolution No. 2747-2017)

Councilmember Aalfs moved to approve Items 5, 6, 7, 8, 9, and 11 of the Consent Agenda. Seconded by Vice-Mayor Wengert, the motion carried 5-0, by roll call vote.

- (4) Approval of Minutes – Town Council Regular Meeting of November 8, 2017. Councilmember Aalfs moved to approve Item 4 as submitted. Seconded by Councilmember Hughes, the motion carried 4-0; with Vice-Mayor Wengert abstaining.
- (10) Recommendation by Town Attorney – Approval of Settlement Agreement and Easement Agreement for Blue Oaks Homeowners' Association Conservation Easement. Item 10 was pulled from the Consent Agenda because it is not yet complete.

REGULAR AGENDA

STAFF REPORTS AND RECOMMENDATIONS

- (12) Report by Town Manager and Town Attorney – Direction Regarding Placing Utility Users Tax Reduction Measure on the June 2018 Ballot

Town Manager Dennis explained the background of the Utility Users Tax (UUT). Bill Urban, Chair of the Finance Committee, described the discussions on these issues and recommendation as detailed in the staff report.

Town Manager Dennis recommended the Council complete the following tasks prior to considering changes to the UUT, which staff hopes to bring forward to the Council within the next calendar year:

1. Finance Committee and Town Council discussion of appropriate general fund reserve levels and true funding of the various subaccounts within general fund reserves, as opposed to fixed amounts.

2. Planning efforts to allocate non-general fund reserves (inclusionary housing fund, open space fund) in the long term.
3. The development of a Five-Year Capital Projects Plan.
4. The timing related to any significant change to the collection of UUT will likely result in different collection amounts over the next fiscal year, which may lead to confusion amongst residents.

Vice-Mayor Wengert asked for confirmation that if Council does nothing, there will be an automatic increase to 5.5% on July 1, 2018. Town Manager Dennis said that is correct. He said since 2006, the votes that have been taken were the option of the public to either reduce the UUT to 4.5% or leave it at 5.5%. Vice-Mayor Wengert asked how well the projections prepared five years ago have held up and if the appropriations limit has been updated. Town Manager Dennis said since that time, as part of the budget process, an appropriations limit calculation has occurred every year. Vice-Mayor Wengert asked staff to provide updated information regarding the 2012 projections versus actual.

Councilmember Derwin asked if the Council would be voting on the UUT every four years. Town Attorney Silver said previously there was a finding that the Town had exceeded its appropriation limit, so a vote was required. She said the appropriation vote must be for a four-year period and must be renewed every four years. She said, historically, when that appropriation vote would come up for renewal, the Town put the tax reduction on the same ballot measure; however, the only legal requirement is to vote on the appropriation waiver. She said if the Council decides to reduce the amount at a Council level, staff suggests they put that on a ballot including some protective language to ensure that Proposition 218 and other State laws don't prevent them from increasing it back to the 5.5%, in order to have the flexibility to change it on an annual basis. Town Attorney Silver confirmed that if the Council does nothing, the UUT will return to 5.5% after June 2018 and no further vote will be needed.

Councilmember Derwin asked if there was anything else that would be on the June 2018 ballot. Staff said there was nothing else confirmed. Town Manager Dennis said the current budget for an election is \$13,000.

In response to Councilmember Derwin's question, Town Manager Dennis said the revenue from the entire UUT in the last fiscal year was approximately \$830,000 -- \$575,000 for General Purpose and \$250,000 for Open Space. He said they have projected for modest growth for both this year, with the total amount being \$959,000 -- \$595,400 for General Purpose and \$264,000 for Open Space. He said the Open Space amount was earmarked and the General Fund amount was not.

Mr. Urban said the Committee brought this issue to the Council because the General Purpose money gets collected year after year and put into the General Fund account but not spent. He said part of the issue is a tax is being collected with no current planned use. He said the General Fund had approximately \$4.5 million at the end of August, with approximately \$2 million in assigned accounts for future expenditures, but with \$2.5 million unassigned. He said that is why the Committee is asking the Council if they want to collect less UUT tax in a future year.

Councilmember Derwin asked if they followed the Finance Committee's recommendation and put it on the ballot, they would have to open it again every single year and adjust the General Fund portion between 0 and 5.5 percent. Town Manager Dennis said the opportunity is for the Council to review this and set it at an appropriate amount related to the next year's budget. Councilmember Derwin said this is a dedicated funding stream and asked if it would make it more difficult for staff to plan if they don't know how much they will be getting. Town Manager Dennis said they would have to change the current budget planning process so that conversation occurs earlier to allow staff to develop a budget reflecting the Council's desires as it relates to the appropriate level of the UUT.

Mr. Urban said currently there are no choices. The tax money will be coming in at 4.5% and putting this on the ballot so it can be changed doesn't change that. He said the Council could do nothing for the next

four years and the UUT would stay at 5.5% or 4.5%. He said this is simply a way to provide flexibility on an annual basis if they want to change it for reasons that are deemed fiscally prudent. He said, in practice, staff would develop a budget and review it with the Finance Committee. He said part of that budget discussion would probably be, "What do we need to get from the UUT to make this budget work?" He said there may then be a recommendation to the Council along with the budget regarding the UUT rate. He said the Council could then either accept or reject the recommendation, but they would at least have the flexibility that they don't have now to make a decision. He said the upside, from the Town's perspective, is it might look like the Town is trying to find ways to collect what they need to be fiscally prudent, and not just doing things automatically because it's on the books. He said he is mindful of the fact there will be a lot of sales tax measures next year. He said people in Town are probably worried about what's going to happen to the deductibility of their property tax and California income tax. He said he thinks the Town will appreciate that they are in a fiscally responsible position and looking for ways to be flexible in only collecting what they feel they really need to maintain the fiscal integrity of the Town.

Vice-Mayor Wengert said philosophically she is aligned with the notion that it is in the Town's best interest to have budgets and long-term capital budgeting that reflects what the Town thinks it will collect and to not have growing reserves that are currently clearly growing most incrementally by the amount of the UUT. She said there will be reluctance on the Council's part to give up the second highest revenue source, but she wants to make sure she understands the relationship with the appropriations limit and how they would move forward with the Finance Committee's recommendation. She said a different set of actions needs to occur depending on if the limit is or is not exceeded, and she is not sure those are aligned at this point. She said the report does not reflect how that relationship is affected by the potential of the Council looking at it on an annual basis. She asked if the Finance Committee's recommendation is adopted, how that would work relative to the appropriations limitations. She asked how it would constrain the Council if the appropriations limit is reached in six years.

Town Attorney Silver said her understanding is that the general consensus, in all of the cities that have recently looked at their appropriations limits, is that they will be within their appropriation limits for years out. She said it might be helpful to the Council to have a 10-year projection. Vice-Mayor Wengert said it is very key to get a report showing the actuals versus previous projections.

Councilmember Hughes asked for confirmation that if the Council does nothing, the rate will automatically increase to 5.5% and the Council will not have the ability to reduce that tax to a different amount because the voters had previously reduced it to a specific amount. Town Attorney Silver said that is correct.

Vice-Mayor Wengert asked for clarification regarding what does and does not require a ballot initiative. Town Attorney Silver said general tax law and election law is that in order to amend something voters vote, it needs to go back to the voters. She said in this instance, the voters specifically said they want 5.5%; however, for a four-year period they wanted the Town to only collect 4.5%. She said the Council would be going against the will of the voters if they were to adjust that. Town Attorney Silver said if the Council adopts the Finance Committee's recommendation, staff would recommend very specific language be included to comply with Proposition 218 that would provide the ability to adjust it on an annual basis.

Councilmember Hughes asked for clarification of the Town Manager's recommendation. Town Manager Dennis said he recommended they do the same thing the Town has done for the last 11 years. Councilmember Hughes said that means they would update the last ballot measure to make sure it makes sense moving forward and asked how long it would take to actually draft the language. Town Manager Dennis said there is plenty of time to draft it. Town Attorney Silver recommended scheduling two Council meetings to approve the language.

Councilmember Hughes said the General Fund balance has been growing over time because the Town has been underspending, and not because they've been budgeting just to accumulate money. He said he does not think anything would have been done differently if they had the flexibility to modify it yearly. Town Manager Dennis said that is a fair assessment and said the opportunity is to proactively plan for the types of things – short, medium, and long-term – that the Council believes are priorities, earmarking those

dollars in a way that does eventually create those expenditures. He said, for instance, at some point in the near future, issues around OPEB must be addressed. He said there is a holding amount earmarked within the General Fund Reserves, but it does not necessarily reflect what will be the true reality of what that number may be. He said it makes sense to allow for some savings to address that. He said he would anticipate allocating this money for a whole variety of significant capital projects, but planning is a critical part of understanding what the Town will need. He said staff can go through that process with the Finance Committee to determine what those needs are, get Council approval, and then come back to see if this is a mechanism that is useful.

Vice-Mayor Wengert the time could be taken now to do that planning – thinking about the two recent staffing events that will have a financial impact, real world examples of where more money will be needed that hasn't been budgeted – so if we do not rush for a March election, knowing November is coming, that will allow time to study the issue, do some of the capital budgeting Town Manager Dennis suggested, and then potentially craft a motion at that time. That means between July 1 and November 2018, the UUT would go back to 5.5%, but only for four months.

Councilmember Hughes said his experience with utility companies is that it may take six months for them to change the amount in their system. He asked if there were any legal issues if they continue collecting at 4.5% until November 2018.

Vice-Mayor Wengert said something could be crafted along the lines that the Finance Committee is recommending, dispensing with adjusting the whole program every four years. She said it could allow, with voter approval, the ability to have the rate setting lie resident with the Council with no set time period under which it has to be reset. She said obviously the Council is prudent in budget planning every year and will not be doing something beyond what was done before, but wonders if that may be a good way to remove the pressure of having a new vote every year. Town Manager Dennis said the measure could be crafted in a way that did not include annual voting. Vice-Mayor Wengert said it will always be part of the annual budget review, but it should not require any extra steps unless a change is made.

Councilmember Derwin said the current Council consists of reasonable people but that may not always be the case. She said there was a member of the Woodside Council who refused to take any Federal money to fix the bridge. She said down the road a different Council may choose to take the UUT down to zero and that possibility worries her. Vice-Mayor Wengert said it could go the other way, too. Councilmember Aalfs said once a tax is taken away, it's hard to bring it back. The reality is flexibility in taxation always pushes things down. He said, while he understands the intent, his concern is that once they are given the option, there will be pressure to lower it and, along with the budget unpredictability, the political reality of it is that it will be hard to bring it back up. Town Manager Dennis said there is a big difference between those who want to set the UUT at an appropriate level related to what is needed, and those who have a philosophical issue with a type or amount of taxation that would then result in changing a budget outside of what is needed. He said those are drastically different budget outcomes. Councilmember Aalfs said one of the positive features of the UUT is it also serves as an incentive to use less electricity and gas.

Councilmember Derwin asked if anyone has complained about the UUT tax. Town Manager Dennis said he is not aware of any complaints received by staff from any residents. He said it is a tool that the Council can use to provide some level of flexibility and prudence. Mr. Urban said if the Finance Committee didn't trust the Council to make good decisions, they would have recommended setting the rate at 0 percent forever. He said they are trying to give the Council flexibility to do what is necessary without losing any of the tax revenue they're getting now. He said if they need 5.5% for 16 years, the Council should be willing to defend the tax money they're collecting. Mayor Richards said future planning is critical in order for the Council to make a decision. Town Manager Dennis said if the Council decides to defer the conversation to a later date that allows the UUT to move from 4.5% to 5.5%, understanding there will be a significant conversation around that in the community because people will notice and will have questions. He said staff will be happy to come back to further discuss this before that decision is made so the Council is fully vetted on what that scenario may look like.

Vice-Mayor Wengert said another equally appealing alternative could be to craft the initiative they would normally do in order to approve the 4.5%. She said then the question would be doing it in March in order to make the June deadline, or waiting until November for ease of administration and making sure there is enough time to study all of the numbers and analyses. She asked Town Manager Dennis how comfortable he is with the Council wanting a better handle on the long-term planning. Town Manager Dennis said his preference is to spend as much time as necessary to understand the issues around what the Town's long-term needs will be, whether the General Fund reserve amounts that are assigned are appropriate and will be meeting those needs, and that there is a five-year capital plan. He said he does not see a scenario where he could accomplish that before February 28. His hope was that much of that would have been done for the upcoming budget cycle, but having lost the Finance Director complicates that. He said he is still committed to doing as much of that as possible in the short-term, but he would not be comfortable saying he could meet a particular time deadline. Mr. Urban said the Committee did not make any demands on Town Manager Dennis or Town Attorney Silver to do any additional analysis before asking the voters for this flexibility. He said he does not think this work can get done by March or even June. He said it hasn't been done for the last 10 years and the Town's been happy with 4.5% or 5.5%, so they could probably get it passed now and do nothing with it. He said they don't have to take it down to zero or do an analysis to figure out it needs to be 2.5% right now. He said the two don't have to be linked, because no taxing authority is being lost. He said the tax is going to 5.5% automatically on June 30. He said the Council can let that happen and they don't have to change it until they want to, after they've worked with Town Manager Dennis and his new staff and come up with any analysis they think is prudent. He said there is no linkage that says the Town shouldn't do this in June because they can't get these four tasks done in the next few months. He said these tasks have not been done for 10 years and things have been rolling along fine. Town Manager Dennis said Mr. Urban is accurate. He said the missing element is the political reality that making these changes could drastically change the UUT collection scenario. He said we certainly have been okay and have benefited from the fact that the economy has been growing for some time, but he doesn't know that's going to be the case in the future.

Vice-Mayor Wengert said another alternative is that under a normal cycle they would have probably recommended proceeding with a regular ballot initiative for the 4.5% effective July 1, 2018, while concurrently doing all the work of looking at it going forward and preparing for a different outcome post putting that back in place, which takes all of the timing pressure off and doesn't raise the rate back automatically to 5.5%. Town Manager Dennis said the Council could have a vote of the people for a permanent no time limit 4.5% and move forward. Vice-Mayor Wengert said that solution addresses staff's concern to some degree, because it doesn't revert to 5.5%, which would make it potentially politically worse, but still allows staff, once the finance team is rebuilt, to look at the issues relative to the revenue growth side.

Mr. Urban said the alternative suggestion of having a ballot measure to set it at 4.5%, leaving it there until there is another ballot measure in the future, is not what the Committee had in mind. He said they were trying to get away from this two-year or four-year cycle of having to go to the ballot for the Council to get the maximum level of authorization they might ever need. Mr. Urban said no one is suggesting that it would be higher than 5.5%. He said as conditions evolve, as new data becomes available, as a long-term capital plan is prepared, the Council can make adjustments as and when needed without having to keep planning ballot measures. Vice-Mayor Wengert said the level of discomfort is because the Council is not fully confident about the numbers and the capital projections, because, as Mr. Urban has said, they haven't been done for the last 10 years. Mr. Urban said that would be an argument for the Council giving themselves the flexibility and then not using it. Mr. Urban said other alternatives were discussed, such as setting a lower permanent rate, 4.5% or 2.5%, and Ms. Silver reminded them that if the Town, at some point in the future, needs to apply for a bond measure, the rating agencies will look at the Town's taxing authority. Mr. Urban said the Town does not want to compromise what can be presented as the Town's taxing authority by having an artificially fixed rate when, in fact, with this measure it can be as high as 5.5% and the rating agencies would look at the taxing authority as being up to 5.5%. He said a permanent measure of 4.5% might seem good now, but in two years the Town may wish they had the ability to get that extra 1% in order to float a muni bond or get an extra 10 basis points.

Vice-Mayor Wengert said the question is what the Council wants to do as an alternative to the automatic increase to 5.5%. She said it makes the Council uncomfortable that pressure could be applied to the Council to entertain the notion of zero UUT. Mr. Urban said as a taxpayer he wants the Town to have what they need to do, but also not to have more than they need. He said from a taxpayer's standpoint, there must be a balance between the current situation of Town having more money than needed, that they can't even spend, versus feeling constrained and not being able to procure the things the Town needs. He said the Town is currently in a very strong financial position, maybe too strong. He said fiscal prudence on some level argues for the Town to reduce the excess above what we know we need. He said the work Town Manager Dennis is talking about needs to be done to figure out what the cash balances should be. He said the Finance Committee agrees, and has offered to help do that, but he said that's a separate issue from the Committee's current recommendation regarding the UUT.

Mayor Richards invited public comment.

Craig Taylor asked if the Town had looming unfunded liabilities and how to reconcile the growing excess in the fund with the unfunded liabilities.

Town Manager Dennis said there are two basic sets of unfunded liabilities – CalPERS and OPEB. He said the Town has unfunded liabilities for both, but they are very modest compared to other jurisdictions. He said a few years back the Town made a significant contribution to the retirement piece of it, and the Town is in pretty good shape in that regard. He said the Town is in decent shape with OPEB as well, but they do grow over time and they do have to start thinking about long-term when they're going to make the decision to pay down what is owed. There are also the other commitments the Town has related to facilities and the like. He said that, at some point in the medium term, the Town will again start considering whether or not to make those payments using the funds currently available.

Mr. Taylor asked if the amount needed to pay all of that off was artificially earmarked, there would still be a surplus in the General Fund. Town Manager Dennis said there would not. Councilmember Hughes said a couple of years ago, when that payment was made, they paid it down to the balance CalPERS thought was owed, but the Town thinks CalPERS underestimated that amount. He said while the numbers look much better than any other Town on the Peninsula, there is hidden unfunded liability that probably will be owed over time.

Town Manager Dennis said at some point the Town will suffer from some sort of natural disaster – such as a fire or earthquake. He said the Town has a budget of just under \$7 million this year. He said there is more analysis required on this front, but it is entirely appropriate to carry a certain amount of money as a percentage of the total budget for that. He said that conversation has not occurred as to what's appropriate and what things would be expected to need repairs and what that would look like, but it could go well beyond the entirety of the current General Fund reserves.

Mr. Taylor said there are also things in the Town Master Plan that are within a five-year range, which will very much impact the budgeting.

Mayor Richards brought the item back to the Council.

Councilmember Hughes said he would not be supportive of doing nothing and having the UUT temporarily rise to 5.5%, which would confuse the utilities and the voters. He would also not be in favor of having a four-year renewal of the current scheme because it will have to go back to the voters before four years and cost another \$13,000. He said the remaining two options would be setting a permanent 4.5% tax, which gives the flexibility to switch to the Finance Committee's proposal later, or to make the Finance Committee's proposal permanent. He said he was supportive of setting the tax at 4.5% until the issues have been studied further.

Vice-Mayor Wengert asked Town Attorney Silver why the UUT tax was put on a four-year cycle. Town Attorney Silver said it was because of the appropriation limit waiver. She said the projections look like the Town may not have to go for an appropriation waiver for at least 10 years.

Councilmember Aalfs said he could support the 4.5%. He said the UUT is not just a fundraising mechanism but is the closest thing we have to a carbon tax, something that acts as a policy along with being a collection mechanism. He does not want to be in a position where there is pressure to lower it.

Councilmember Derwin agreed that the UUT is like a carbon cap and she likes the open space piece. She said she is proud that this Town taxes themselves to preserve open space. She said she is resistant to have the flexibility to decrease the tax. She said she would be supportive of 4.5%.

Town Manager Dennis asked where the Council stands on the Finance Committee's recommendation. Based on the Council's direction, staff will bring forward ballot measure language.

Councilmember Hughes suggested staff develop a ballot measure by January 28 to set the UUT rate to 4.5% with no expiration date, being mindful to Proposition 218 if it needs to be raised to 5.5%.

Vice-Mayor Wengert asked why the Council does not go in the direction as has always been done in the past if they choose not to accept the Finance Committee's recommendation. She said she is not clear on why the tax is not going back to 5.5%. She said there should be more analysis as to why it should be arbitrarily set to 4.5%.

Mayor Richards said if the UUT is going to be set at a permanent rate, it needs more analysis.

Town Manager Dennis said staff can come back with information about the appropriations limit as requested. He said they did attempt to get more information about what happened in 2006, but there were not particularly good records. He will have conversations with people who were part of those discussions.

(13) Recommendation by Town Manager – Response Letter to Stanford regarding their General Use Permit Draft Environmental Impact Report.

Town Manager Dennis recommended the Mayor sign the response letter to Stanford's General Use Permit Draft EIR, as detailed in the staff report.

In response to Councilmember Hughes's question, Town Manager Dennis said the previous Town Attorney Sloan's points regarding the view of the surrounding foothills can be added to the letter. He said the draft letter was more of a technical response and did not address some of the sustainability and ethos issues.

Councilmember Hughes suggested the Planning staff think about if there are other bigger picture items that should also be included in the letter.

Vice-Mayor Wengert suggested Ms. Sloan's letter be referenced as an exhibit, with Ms. Sloan's approval.

Staff was directed to send the response letter with Ms. Sloan's letter referenced as an exhibit.

(14) COUNCIL LIAISON COMMITTEE AND REGIONAL AGENCIES REPORTS

Councilmember Derwin – Attended C/CAG meeting with a presentation from SamTrans regarding the "Get Us Moving" campaign, discussion about proposed sales tax, two transportation taxes, and bridge toll increase. She said it would be useful to complete their survey. She said the annual "Safe Routes to School" report was good, and suggested that Portola Valley participate. There was a report regarding the "Scoop" carpool incentive program. She said the TA will have \$5 million coming out for bike-ped projects.

She attended the C/CAG Finance Committee meeting. She attended the Council of Cities in San Bruno, where Brandon Feldman of You Tube discussed how elected officials can use the You Tube platform to reach out to constituents. She attended a C/CAG Admin meeting. She attended the Home for All Learning Network meeting with Town Manager Dennis, where they heard the FrameWorks institute approach to discussing housing, centered around messaging. Mineta Transportation Institute talked about travel evaluation metrics, the transportation piece that relates to housing, commuting, parking, etc. She said all the cities that are doing pilots shared presentations, including Town Manager Dennis. She attended the Home for All pilot meeting with Vice-Mayor Wengert. She attended the December 6 Planning Commission meeting where they thanked Alex Von Feldt for her nine years of service. She said the staff did an excellent job at a difficult, emotional meeting around the possibility of a cannabis at Nathhorst Triangle Park. An ad-hoc subcommittee was formed to look at considerations and regulations that would be appropriate. Councilmember Hughes said he sat in on the ad-hoc committee meeting yesterday and they are very thoughtful and considerate, looking at each issue deliberately, and are doing a great job. Councilmember Derwin said, despite a lot of pressure, the Planning Commission chose not to recommend a moratorium and felt confident they could deal with it. She attended the Grand Boulevard Initiative Think Tank, where they discussed measuring vehicle miles traveled, which is a different way of measuring the effects of transportation. She attended the HEART board meeting where they discussed borrowing housing funds from cities and decided to have the current loan committee work on it rather than form an ad hoc committee. She said Daly City opted out of HEART but it is going back on the agenda for a vote. She attended a Home for All conversation about housing held at the Portola Valley library, where only two people attended. She suggested it should be done again with better advertising and a better time slot.

Councilmember Aalfs – He missed the Trails and Paths meeting. The Community Hike was not well attended, occurring on the same day as the Ormondale Turkey Trot. He said PCE is discussing distributed energy resources and the Citizen’s Advisory Committee is researching it. He said he will do a short presentation on January 10 about what has been learned so far with possible next steps in trying to identify possible providers and how it could be structured.

Vice Mayor Wengert – Attended Parks and Recreation Committee meeting and said they are very active, with many new recruits. She said they will need some instruction on protocol and rules for Town Committees, but they have a lot of energy and creative ideas. She suggested Town Clerk Hanlon attend a meeting to give a presentation on Roberts Rules. She attended the Home for All pilot meeting with Councilmember Derwin. Vice-Mayor Wengert asked the Council to send suggestions for the “super connectors” to Town Manager Dennis. She said they reviewed the work strategy, work plan, goals, outcomes, timeline, and tasks. They will have their first community event in late-February, gathering people to come and tell their stories. She also attended the Roundtable meeting on December 6. She said in addition to the improvements they’ve made in reporting and a better airport director, and they discussed the FAA’s response to all the work they did last year. She said they are moving forward with allowing two new members of the Roundtable, which will potentially be a representative from County of Santa Clara and one from Santa Cruz.

Mayor Richards – Attended an EPC meeting, where the Fire Chief gave a recap of the lessons learned from the North Bay fires, looking at different ways of notifying people – sirens, personal responsibility, AM radio coverage. Town Manager Dennis said he has asked for more information regarding lack of coverages, alternatives to purchasing a completely second AM radio station, etc. Mayor Richards attended a Cultural Arts Committee meeting and said they plan to hold eight events per year – the speaker series plus the summer concert and holiday craft fair. He attended two ASCC meetings. The neighborhood sign issue will be coming back to the Council for clarification. He attended the Conservation Committee meeting.

Councilmember Hughes –He attended a second-grade civics class at Ormondale and spoke about what it’s like to be a Mayor. He said it was very enjoyable and there were very interesting questions. He said there had been a complaint that the drinking fountain didn’t work at the Town Center playground, which he passed on to Public Works Director Young, and was able to tell them at the meeting that Town Staff

was working on it. Town Manager Dennis said it has been fixed. He attended a traffic pop-up meeting on December 5 near Alpine Hills, looking at the crossing across Los Trancos and also the one at Alpine near the club, as school was letting out. He attended the Bicycle, Pedestrian, and Traffic Safety meeting the following day. He sat in on the Planning Committee ad-hoc committee meeting regarding marijuana ordinances. He said the Committee members were doing a great job. They seemed to agree that there is no urgent issue because any application for a retail establishment that came in today would have a very difficult time getting a Conditional Use Permit due to the findings required.

(15) Town Manager Report – Town Manager Dennis reported there has been some interactions with PG&E related to Rule 20A undergrounding and in recent months PG&E has been contacting the Town saying there is a growing invoice with them based on work they've done. Staff does not believe they owe PG&E anything and a letter has been drafted by the legal staff that will be sent to PG&E tomorrow. He said there has been considerable communication and outreach with the bicycle community in the last few weeks. He said the consensus is there is a great opportunity to have a positive and proactive relationship with the Town. He said some of the riders are interested in demonstrating that the bicycle community wants to give back and participate in events. He said, with regard to bicycle shoulder issues, a second roll of the road has been done with a rubber roller, which only provided a modest improvement, but they learned that if it is done the day after the metal roll, it will be a very nice improvement. That process will be incorporated into any future projects. He attended a holiday luncheon put on by the Friends of Portola Valley Library and library staff yesterday. He reminded the Council that tomorrow Santa and a number of Deputies from the Sheriff's Office will be here in conjunction with the Farmer's Market toy collection. He said a sign has been installed in the middle of the road at Brookside warning people of the crossing and staff has received positive response from the nearby residents. He said they scheduled an Emergency Preparedness Drill for staff. He met with the Fire Chief, the Assistant Fire Chief, and Public Works Director Young and they drove up to the two gates adjacent to Jasper Ridge lands, one off Mapache and one at Escobar. They discussed ways to improve emergency egress out of that community. He has scheduled a meeting with Stanford to further discuss emergency preparedness and explore ideas around egress. Councilmember Aalfs suggested they discuss Pony Tracks in the Los Trancos woods area. Town Manager Dennis said the initial round of the Finance Director recruitment was not what he had hoped and they are doing a second round now, which is also not going well, perhaps because of the time of year. He said Starla has been a great asset. He said on Monday, Planning Director Pedro tendered her resignation effective January 15, 2018, after having accepted a position with the City of Saratoga as the Community Development Director. He said Ms. Pedro has done an excellent job and he also commended her for the great job she did when also acting as interim Town Manager. He said the recruitment process for a new Planning Director will begin in January. He said he has reached out to all current and some past ASCC and Planning Commissioners to get their insights.

WRITTEN COMMUNICATIONS [10:29 p.m.]

(16) Town Council Digest – November 10, 2017

None.

(17) Town Council Digest – November 17, 2017

None.

(18) Town Council Digest – November 22, 2017

None.

(19) Town Council Digest – December 1, 2017

#6 – Invitation – Council of Cities Dinner Meeting – Friday, December 15, 2017. Mayor Richards may be able to attend and, if not, will submit a proxy statement.

(20) Town Council Digest – December 8, 2017

None.

ADJOURNMENT [10:34 p.m.]

Councilmember Derwin requested the meeting be adjourned in the memory of Eric Reed, a Belmont Councilmember and former Mayor who grew up in Portola Valley and whose mother is a community volunteer. Mr. Reed passed away December 8, 2017.

Mayor Richards adjourned the meeting.

Mayor

Town Clerk