

**PORTOLA VALLEY TOWN COUNCIL REGULAR MEETING NO. 976, SEPTEMBER 25, 2019**

**CALL TO ORDER AND ROLL CALL**

Mayor Wengert 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 Maryann Derwin, Craig Hughes, John Richards; Vice Mayor Jeff Aalfs; Mayor Ann Wengert

Absent: None

Others: Jeremy Dennis, Town Manager  
Brandi de Garmeaux, Assistant to the Town Manager  
Cindy Rodas, Interim Finance Director  
Cara Silver, Town Attorney  
Sharon Hanlon, Town Clerk

**ORAL COMMUNICATIONS**

None

**CONSENT AGENDA**

- (1) **Approval of Minutes** – Town Council Regular Meeting of September 11, 2019.
- (2) **Approval of Warrant List** – September 25, 2019, in the amount of \$78,648.51.
- (3) **Recommendation by Town Manager** -- Adoption of a Resolution in Support of California Clean Air Day
  - (a) Adoption of a Resolution of the Town Council of the Town of Portola Valley in Support of California Clean Air Day (Resolution No. 2809-2019)
- (4) **Recommendation by Public Works Director** – Acceptance of the 2018/2019 Street Resurfacing Project – Surface Seals #2019-PW01
  - (a) Adoption of a Resolution of the Town Council of the Town of Portola Valley to Accept the Completed Town of Portola Valley 2018/2019 Street Resurfacing Project – Surface Seals #2019-PW01 and Authorizing Final Payment to Graham Contractors Inc. Concerning Such Work, and Directing the Town Clerk to File a Notice of Completion (Resolution No.2810-2019)
- (5) **Recommendation by Town Manager** – Review and Adoption of a Resolution Designating Woodside Fire Protection District as an Authorized Designee to Administer the Disaster Service Worker Volunteer Program
  - (a) Adoption of a Resolution of the Town Council of the Town of Portola Valley Designating the Woodside Fire Protection District as the Authorized Designee to Administer the Disaster Service Worker Program (Resolution No. 2811-2019)
- (6) **Appointment by Mayor** – Member to the Trails & Paths Committee

Councilmember Richards moved to approve the Consent Agenda. Seconded by Councilmember Hughes, the motion carried 5-0, by roll call vote.

Mayor Wengert noted that a change submitted by Helen Quinn will be made.

## **REGULAR AGENDA**

### **STAFF REPORTS & RECOMMENDATIONS**

#### **(7) Discussion and Council Action – Open Space Maintenance Funding**

Town Manager Dennis presented the history and background of the issue, including requests from the Conservation Committee for funding and the Finance Committee wanting to explore alternative funding sources other than the General Fund. He described the tax background, discussion items, and fiscal impact, as detailed in the staff report. Town Manager Dennis said he presented the staff report to the Open Space Acquisition Committee earlier this week asking for their feedback. He shared the Committee Chair's summary of their deliberations. He said, in general, his presentation was met with frustration and disappointment from the Committee members. He said the Committee's concern was that they had put a lot of work into the product and felt this could discourage future contributions if monies were not seen as being primarily used for acquisitional purposes. The Open Space Acquisition Committee opposed the proposal without further discussion. Councilmember Hughes, who also attended the meeting, said Staff was requesting to take the 2% of the UUT before it goes into the General Fund rather than dipping into the fund. The Committee's felt the effect is identical and there is no practical difference in taking the money out just before it lands in the fund or right after. The Committee felt the work they did in 2017 should clearly apply to that 2% as soon as it's collected. Town Manager Dennis said the Committee was also concerned that as acquisition of real estate becomes more expensive, the fund's ability to make those purchases becomes more limited and any change in the fund status would impact their ability to further acquire any important property. Councilmember Hughes said the Committee also pointed out that bringing the properties up to a certain level as a one-time or multiple-year project would be appropriate under the guidelines but ongoing annual maintenance into the indefinite future was not appropriate.

Staff asked the Town Council to provide direction to the potential use of the Utility Users Tax Open Space Funds to fund maintenance of open space facilities. Town Manager Dennis said it is important to continue to engage the Open Space Acquisition Committee on this issue, particularly given how much time and effort they put into their 2017 guidelines and their strong opinions on the matter.

Mayor Wengert invited questions from the Council.

Councilmember Richards asked if there had been any discussion about linking the work required to bring properties up to standards and defining where the properties are how they are to be used. Town Manager Dennis said a lot of that conversation has happened on some level. He said a lot, but not all, of the work done by the Conservation Committee, which is being funded through the General Fund, as authorized by the Council in this budget, would have a relation to this. He said Nona Chiariello is Chair of the Open Space Acquisition Committee and is on the Conservation Committee.

Councilmember Derwin asked how much is collected yearly from the 2%. Town Manager Dennis said this budget year they anticipate it to be approximately \$280,000. Councilmember Derwin asked if there was a known estimated cost for regular maintenance of properties to deal with invasives and perhaps extra plantings. Town Manager Dennis said he and Public Works Director Young attempted to estimate but could not reach a reliable estimate without doing further analysis.

In response to Councilmember Richards's question, Town Manager Dennis said the estimate for regular maintenance would be less than \$280,000.

Mayor Wengert said the current balance in the Open Space Fund is just under \$5 million. She asked if there had been any expenditures from it other than post-Spring Down. Town Manager Dennis said in the last 20 years the largest expenditure was related to Shady Trail and then, in the last couple of years, a few incidentals related to Spring Down.

Mayor Wengert invited public comment.

Helen Quinn said she spoke before the Open Space Acquisition Committee and doesn't want her comments to be construed as correcting their input. She supported their position as they previously laid it out. She said there occasionally may be exceptional reasons, such as Spring Down, to use funds from the Open Space Acquisition Fund for maintenance but not on an ongoing basis. She said the Town needs to maintain their open space just as they maintain the roads and buildings. She said because it has not been done, there is now a deficit situation where the Conservation Committee is trying to catch up on properties that have been somewhat neglected. She said that investment needs to be made and then the ongoing maintenance should be manageable and planned for within the Town budget.

Judith Murphy, 8 Portola Green Circle. Ms. Murphy said she is neutral about where the funds come from but feels incredibly strongly that when the Town acquires property, it should maintain that property well. She said the Conservation Committee is in the process of creating five-year plans for each of the most important properties so the Town Council will have a sense of what's coming down the pike. She said much of it is front-loaded because a lot is trying to get it up to a baseline. She said it will then just require routine maintenance that, aside from the unforeseeable, shouldn't be a great expense. She said last year they asked for approximately \$112,000. She said to do a good job, she would estimate the ballpark cost to be approximately \$50,000 to \$60,000 a year or less on an ongoing basis to maintain the Town's open spaces.

Councilmember Hughes said at the Committee meeting it was discussed that it may cost \$100,000 yearly for two to three years to get the maintenance caught up before dropping down in cost for regular maintenance. Ms. Murphy said that would be on the high end of estimates. She said, as Town Manager Dennis pointed out, they won't really know until they go out and carefully examine the trees.

Betsy Morgenthaler, 500 Portola Road. Ms. Morgenthaler said she toured the Presidio today and a representative of the National Park Service said, with enormous pride, "We are actually increasing our parkland here. Who else does that?" She said that although she didn't say it aloud, inside she said, "Portola Valley does." She said she has a sense of pride in this community. She expressed hope that the Town would continue to support the Open Space Acquisition Committee and not support repurposing the 2% Utility User Tax to cover maintenance of Open Space. She said for her this is an issue of both precedent and promises made. She said the Open Space Acquisition Committee has an ongoing mission and to move that 2% tax from acquisition funds, more or less exclusively, into ongoing maintenance would be without precedent. She said she was in favor of the Open Space Acquisition Fund being used for acquisition and related costs. She highlighted the open space contributions that come in every year under "Other Revenues" in this year's budget. She said there were no outgoing expenses in any year from the Open Space Acquisition Committee. She said the Committee has brought in less than \$10,000 for three years until last year. She said it was projected the Committee would bring in \$1,000 last year and it brought in \$588,000. She said these unanticipated gifts are part of what the Open Space Acquisition Committee can look forward to from people's bequests, etc. She said Ms. Chairiello's expressed concern at the recent meeting is that if the Town starts repurposing toward maintenance now, that could very well have a dampening effect on people's enthusiasm to give. Ms. Morgenthaler also pointed out that Portola Valley citizens have consistently and overwhelmingly voted to tax themselves an added 2% for the purpose of Open Space Acquisition or Open Space Projects. She said "projects" is more vague and has opened up the conversation tonight. She said on September 28, 2005, the Town Council created a policy statement that set forth certain restrictions – "Revenues received under the 2% Utility User Tax will be exclusively appropriated and expended for the Open Space Acquisition Fund."

Later, in the 2009 campaign, the argument supporting Measure R, stated, "In 1997, 2001, and 2005, Town residents voted overwhelming in favor of a 2% tax on utilities with revenues dedicated to the protection of the Town's scenic landscape. To successfully protect the remaining critical vistas and corridors, our Town must continue to have adequate resources to purchase parcels and obtain conservation easements as they become available." Ms. Morgenthaler said that Nancy Lund, who is out of town, sent an email message to share with the Council – "My name should be added to the list of citizens who think the voters should weigh in on the changes to what happens to their tax money." Ms. Morgenthaler affirmed that the Town is trying to find sufficient funding to adequately fund what has been sadly and chronically underfunded, which has also been the Conservation Committee's request. She thanked the Town for making that their focus and the Council for their attention tonight.

Danna Breen, 4680 Alpine. Ms. Breen said she supported the Acquisition Committee to be able to make their own decision about how they use the UUT. She said yesterday three unsolicited pledges came in to support the Frog Pond.

With no further public comment, Mayor Wengert brought the item back to the Council for discussion.

Councilmember Richards said it makes sense to use the Open Space Acquisition Funds only occasionally, such as with Spring Down, for initial funding needs. He said it should be clearly decided at what standard the properties need to be brought to initially. He said the Town should find other sources or use the General Fund for ongoing maintenance.

Councilmember Hughes said he understands the impetus for looking creatively at sources of funding guaranteeing the properties can be brought to standard and then maintained in an ongoing way. He said they should have another discussion later about long-term cost growth versus revenue growth over time. He agreed the Town has been underfunding and to some degree neglecting the properties. He said adding a new expense to the budget when every other expense item is growing much faster than revenue items would indicate other options need to be thought about. He said given the Open Space Acquisition Committee's work in 2017, this is not the right place to go for that extra money. He said there may be some things the Town can do in the initial bringing up to scratch process that the Open Space may support as consistent with the guidelines adopted in 2017. He said acquiring more open space over time will increase the requirement for ongoing maintenance. He said the initial establishment of the 2% UUT to acquire the properties did not consider the impact of the ongoing maintenance to the Town's General Fund and budget, and that issue needs to be resolved, but he did not think dipping into the UUT fund was the right way to do it.

Councilmember Richards said, in response to the critical comments about underfunding of open space maintenance, that it has only recently become apparent, thanks to the Conservation Committee's excellent work, that more needs to be done with regard to maintenance of the open space. Prior to that, it was not known that those open spaces needed help. He said, in fairness, it should be acknowledged that the Council has stepped up and funded everything that has been asked for over the last few years.

Councilmember Hughes agreed that the underfunding was not a conscious choice and was accidental. He said the Open Space Acquisition Fund was a very, very good idea but, now that it has been in place for a long time, the Town is starting to see the consequences that weren't and couldn't have been anticipated at that time. He said it is not through any fault but is an issue that now needs to be remedied. He said he did not intend to suggest that the Council had denied requests for funding.

Councilmember Derwin agreed with Councilmember Hughes. She said she brought up the maintenance cost issue when Shady Trail was acquired but recused herself because she lives in the neighborhood. She said finding the money to do what needs to be done to maintain these properties will be tricky. She was supportive of using some of the Open Space Acquisition Fund to bring the properties up to some level of decency.

Vice Mayor Aalfs agreed with the Committee's 2017 guideline that once the property is brought up to the agreed-upon baseline, the costs for ongoing maintenance should become a general obligation of the Town. He said he would be supportive of occasional limited draws on the Open Space Acquisition Fund to get things up to speed. He said he is concerned that at some point they will have to choose between maintaining open space or roads, but for now he agrees with the consensus of the Council.

Mayor Wengert agreed with the Council. She said she was buoyed by Ms. Murphy's estimate of \$50,000-\$60,000 range for maintenance after the properties are brought up to standards. She said the Council's job is to protect the Town's finances. She echoed Councilmember Richards' comment that the Council has allocated money consistently for these properties. She said it is getting more and more expensive, with more invasives, etc., that were not anticipated, and the concern is how much more can be done within financial reason. She said she would not preclude revisiting this, but at this time she does not support dipping into the fund or taking parts of the 2% going forward. She said she hopes it doesn't happen, but the demands that the Town may be placed under vis-à-vis fire safety may create a new urgency for funding.

Councilmember Hughes said the fire safety issue was specifically addressed by Open Space and they appreciated that may lead to an increase in costs, but they felt that was outside the guidelines they established. If there was a new property acquisition that needed fire safety work to bring to a baseline level, it would fall within the guidelines. If it's an existing property for which the Town now requires underbrush removal, that is qualitatively different and the Committee would be resistant to using UUT funds for that.

Councilmember Hughes said he agrees that \$50,000 a year may be manageable under the budget, but pointed out that labor costs will be growing faster than revenues so may only be manageable for a couple of years.

Mayor Wengert said some of those discussions will be coming up on the budget and may be informed by how the Town may change their budgeting process, creating some separate fund for those kinds of items going forward.

Mayor Wengert said the Council was in agreement that nothing should change now, but they will look at it and plan for an amount on an annual basis, which may increase quickly based on the fire safety issue.

Councilmember Derwin asked if any of the Open Space Acquisition Fund money would be used to complete any of the items on the Conservation list. Mayor Wengert said this may come back to Judith Murphy as to if any of the items should have been in the post-acquisition category.

Town Manager Dennis said the Council's request for this item to be looked at came from this year's budget item. He asked if Council's direction was related to Conservation and Open Space discussing the current budget or future budgets. Mayor Wengert said it would be for future budgets.

Ms. Murphy said Spring Down as a rather unique case because Spring Down had been acquired and then things were on hold for seven or eight years with the pond. Once the pond was completed, it was picked up again so Open Space could say they would have done those things then but didn't because of the pond. She said the most important properties on the list are much older – Rossotti's, Ford Field, etc. – and she didn't think there was anything there. Ms. Murphy said that people who have recently come into this in the last year may have the inaccurate sense that Conservation has to fight for every penny they ask for. She pointed out that prior to a couple of years ago they weren't asking for money and so it wasn't like their requests were being declined. She said these expenses were only brought up after the work they did on their comprehensive plan. She said although they didn't get everything they asked for in the last budget cycle, there had been a great deal of generosity with Spring Down and they understood these

things must be tackled piece by piece. She said she it is not at all accurate that the Committee has been begging and the Council has not been responding.

Ms. Quinn said maintenance of land is an ounce of prevention for many pounds of cure. She said there are many properties where volunteer trees and invasive grasses have not been managed by previous Conservation Committees because they weren't being paid enough attention and now there is a backlog. She said if the backlog is taken care of and ongoing maintenance is performed with an eye to prevention of excessive trees and invasives, the budgets will be much more reasonable.

(8) **STUDY SESSION** – Budget

Town Manager Dennis acknowledged Cindy Rodas, the Town's Interim Finance Director, and Jim Saco, Former County Budget Director, who has assisted the Town in budget and fiscal related matters over the last couple of months. Town Manager Dennis led the first of an anticipated three budget sessions with the Town Council. Tonight's discussion related to Policy/Structural issues, including potential future revenue sources, forecasting future, reserves policy and capital improvement plan support as detailed in the Power Point presentation and the staff report.

Mayor Wengert invited questions from the Council.

Councilmember Hughes asked if years 2 through 5 should be less flexible. He asked if, from a legal or logistical point of view, today's Council could bind future Councils to particular expenditure plans. He said by nature they will always be flexible because next year's Council may decide something different from this year's Council. Town Attorney Silver said the Councils' decisions are always subject to the ability of the current Council to appropriate dollars and it would be very difficult to bind a future Council, so that flexibility must be retained. Town Manager Dennis said this relates more to the two-year budgets.

Mayor Wengert said the General Fund balance dropped this year. She said whether it is considered through the operating expense side or the CIP program, because of the way the numbers operate, it's been quite fungible. She said she is not comfortable with having capital expenditures driving down the reserves. She suggested different designations for some portions of the expenditures. She said, for example, roads is the fast growing and least predictable because of frequent changes at the State level. She said it would be helpful to better understand the road expenditures and allocate them separately so it doesn't get intertwined with other CIP expenditures and stays as part of the operating budget, because it is clearly an annual operating expense.

Town Manager Dennis said the third budget session will include a thorough conversation on roads. He said roads is a driver on some of the issues in that a contribution is made from the General Fund for road expenditures. He said in staff's third presentation, they will discuss how modifications of the pavement condition index create similar expenditures over different periods of time. He said there will also likely be a conversation around revenue.

Councilmember Hughes said roads is the second fast growing, compared to the employee retirement costs, which has been growing much faster, largely because CalPERS has severely underestimated liability and is now slowly starting to recognize the real liability. He said the Town has liabilities that are not recognized on government balance sheets in the same way they are in corporate balance sheets. He said they need to get a ballpark figure for the future liabilities that aren't really recognized.

Town Manager Dennis said staff anticipates bringing to the Council, through the Finance Committee, a conversation around OPEB and pension. He said they have been exploring trust funds and prefunded accounts.

With no other Council questions, Mayor Wengert invited comments or questions from the public. Hearing none, Mayor Wengert brought the item back to the Council for discussion.

Mayor Wengert said the absolute reserve issue has always required a bit of financial wizardry. She asked Town Manager Dennis about methodologies used by other communities. Town Manager Dennis said one of the missing elements is the opportunity to forecast. He said Mr. Saco was brought on board to help staff understand what the looks like in Portola Valley. Mayor Wengert asked if there would be a budget forecast prior to work on next year's budget. Town Manager Dennis said they would potentially have some of it but some of those concepts will be brought onboard over time. Town Manager Dennis said they are not looking for particular direction but want to introduce concepts in a way the Council has not previously discussed. He would encourage exploration of what a reserves policy would like and borrow some of the better models out there from communities that have already put something together. He said a bare minimum would be a policy that lays out the fiduciary responsibilities toward reserves and what is hoped to be accomplished, which would be an important statement to make to residents. Town Manager Dennis suggested taking appropriate assignments to the Finance Committee.

Councilmember Richards said he likes the simplification of boxes people can identify and trying to organize things in a way where everyone can understand it better. He is supportive of the additional organization as long as it simplifies things for staff and does not make it more complicated or take more time.

Councilmember Hughes said when he came onto the Council in 2013, and started attending Finance Committee meetings, one of the first things he wanted to do was have a better understanding of how the Town finances operate. He said visibility into the future was very limited, with no idea what cost liabilities might need to be paid anywhere from 1 to 20 years into the future. At that time he had a number of conversations with the Finance Committee and the then-Town Manager to move staff in the direction of having more visibility of those large dollar items that were invisible on the balance sheet. He wanted to be better able to anticipate those costs and to start accumulating money to meet those costs as they came due. He said it's been a bit of a bumpy road with a change of Town Manager and multiple changes of Finance Directors in a short time. He said the underlying goal should remain the same as far as having a minimum fund balance reserve policy of approximately 60%. He said the CIP comes from the attempts to recognize the liabilities that are not visible on the balance sheet and to prepare and plan for them; however, that CIP only looks forward five years. He said the OPEB and pension liabilities are much longer-term and much larger dollar amounts. He said it is prudent to think about those and plan for them. He said there are other smaller liabilities as depreciating buildings and capital equipment will need to be replaced at some point. He said anticipating those expenses will avoid unexpected large cash outflows that would cause dips into the fund balance bringing it below the 60% threshold. He said the goal is to have a separate item, a General Fund Unassigned balance, which is in excess of liabilities.

Town Manager Dennis said the Council funded the effort for a facilities management review and staff has a strong idea of how to maintain the existing facilities. He said they've also reached out to potential partners (Redwood City and County of San Mateo) to see if they can do some of this on the Town's behalf. He said the Government Finance Officers Association (GFOA) has been bringing more visibility to OPEB especially and pieces are coming together to present the best picture of invisible liabilities. He said the facility is now 10 years old and showing its age.

Councilmember Hughes said the goal was that these invisible liabilities should be reevaluated as part of every budget cycle. Town Manager Dennis said the GFOA recommends looking at these assignments every one to three years.

Councilmember Derwin asked for clarification about invisible liabilities. Councilmember Hughes said an example is the cost of repairing the Town Center building over the next 10 years. Mayor Wengert asked if depreciation is the primary invisible liability. Councilmember Hughes said that is part of it but it's also

considering that the CalPERS figure is under- or over-estimated. He said, for example, the Town now has an accumulated liability of not having maintained the open space that is resulting in a large unanticipated cost.

Mayor Wengert pointed out the analysis done that led to prepayment of the pension was very specific that said the dollars saved by prefunding this were significant. She said the Council has not previously had the opportunity to look at the CIP in the long term. She said they do a good job on estimating annual operating budgets. She said there is a schedule of how to look at assets in terms of facility, trucks, equipment, etc., that has not been put into the budgets in a systematic form. She said while we can do a better job and need to have a new budget book and move it forward, particularly on the capital improvement program, she does not feel the Town has been totally deficient in how that has already been integrated. She said road maintenance has been pulled out to really examine how much of a priority it is considering the tradeoffs that will be necessary. Mayor Wengert said pension and medical clearly need to be managed, as a larger part as the biggest single budget item, and similarly roads. She said facilities replacement is the next big category. She said if separate funds were established relative to that, coming out of just the General Fund, that would then inform how the Council might look at a General Fund balance because it is unknown how much would be siphoned off. She said she would be reluctant to set a number now other than to set a minimum. She said the Council has always been conservative but proactive.

Town Manager Dennis said in the short term he has no concern about an impending fiscal issue. He said in the last couple of years there have been new resources from the State relating to roads and the Town implemented a new alternative to the investments which has seen dividends. But they also anticipate that expenditures will continue to go up – roads, software, etc., that are moving quickly. He said he is not as concerned about salaries because the Town can never pay enough to prevent someone to look somewhere else to earn a higher salary. He said hopefully the salary can be secondary to working in a wonderful community on great issues. He said pensions are also changing over time with more employees moving into a Tier 2 model. He said in the last six years there have been no budgets operationally in deficit. He said it's been a choice to go into deficit when it's been done, primarily due to capital expenditures, which is a fine choice when the reserves are good.

Councilmember Derwin said she will defer to the financial acumen of Mayor Wengert, Councilmember Hughes, and the Finance Committee on all of this. She said as far as policy, the Library JPA is the best example because their budget is easy to understand. She said they have a policy for reserves. She said she would support a policy because it lets people know what the money will be used for.

Vice Mayor Aalfs agreed there should be a reserves policy. He said a few years ago there was a capital replacement emergency assignment budget of \$1.4 million, which was a good idea, but it is really just a placeholder. He said this fund could be used as kind of a forecasting tool, to be broken out into roads, depreciation on assets, and any new capital things, try to get some feel on what will be spent on roads every year, and try to incorporate the CIP into the budget. He said right now the budget is not really informative in any way beyond telling us that there is money set aside.

Town Manager Dennis said staff had a conversation today regarding the \$1.4 assignment. He said if there was a major fire or earthquake, this would help a little but will not do what people may think it will do because of the costs associated with replacements. He said 20 years ago it cost \$10 million to replace Alpine Road. He said thinking about what these things mean is critical and that it is conveyed to the public. He said right now the budget does not provide enough information for anybody in the public to understand the Council's goals related to that particular reserve assignment. He said General Fund Unassigned is frustrating and a reserve policy can help with that.

Mayor Wengert said she's always looked at the \$1.4 million as a fund that would be used for short-term operations in the event of an emergency as opposed to capital replacement, meaning it will not help



rebuild the schoolhouse or Town Center. She said it probably needs clarification to make sure everyone is on the same page about whether it makes sense and is logical or not. She would be supportive of looking at additional, more specific assignments so it's easier for everyone to understand. She suggested moving this to the Finance Committee to consider the various categories they would recommend and how they might be better defined.

Councilmember Derwin suggested a narrative explaining what the categories mean.

Councilmember Hughes said his thought has always been these are goals, not restrictions. He said he always looked at the capital replacement emergency assignment exactly the opposite – that it's not an operating fund in case of emergency. He said the operating fund is the balance of the General Fund. He said those things can be dipped into for the short term but the idea is to recognize that these are things that will need to be paid so that if an emergency causes spending down to below the 60%, then that needs to be replenished. He said he views it more as a capital replacement side, knowing that there will be an expense for accumulated depreciation. He said in an emergency, any of the funds can be dipped into to cover cash flows. He said this is just recognizing the liabilities that will be due over the next five years, or whatever time period is decided by the Finance Committee, and making sure money is available for that. He said the Unassigned General Fund tells the Council there is \$1.8 million to spend on fixing up things as long as it's not dipping below the 60%, but not to forget about the invisible liabilities. He said the Unassigned Fund is for the year-to-year things that weren't anticipated. He said, for things that are anticipated, there should be a good estimate that is revised periodically. Councilmember Hughes agreed with Mayor Wengert that part of that will come from a more robust CIP.

Mayor Wengert said she and Councilmember Hughes were saying the same thing but in a different way. She said she always looked at it as if money is running out in the General Fund, the Town will go into that next level and, even though it's called Capital Replacement, it's emergency assignment and will be used for whatever is needed. She said everything in the top categories is fungible and can be moved around.

Vice Mayor Aalfs said the OPEB and liability assignments are attempts to be a meaningful gauge. Mayor Wengert agreed.

Town Manager Dennis said the pension number that is assigned comes out of the annual audit, an actuarial evaluation. He said it is 18 months behind when staff gets it and does not take into account where things are real time. He said the Council may want to consider at some point a more real time tool to help assist with this. He said the prefund option will also help.

Town Manager Dennis said one opportunity in assignments is having something funded over a short period of time knowing that in year three or four something bigger will be done. He said that he would encourage doing that when significant expenditures are anticipated instead of potentially spending it on a capital improvement that could be postponed in another way.

Mayor Wengert called for a five-minute break.

(9) **STUDY SESSION** – Reach Code

Assistant to the Town Manager de Garmeaux led the study session for the reach code effort that is happening regionally and the potential update to the Town's Green Building Ordinance in response to that, and the Building Code update in 2020, as detailed in the Power Point presentation.

Assistant to the Town Manager de Garmeaux described the ordinance update timeline, the review of the reach code concept, the regional reach code effort, the current Green Building Ordinance, and opportunities to update, and input received from the Sustainability Committee.

Assistant to the Town Manager de Garmeaux said staff hopes to have a final checklist to bring to the Council for review, along with the proposed updated ordinance language, in late-October or early-November.

Vice Mayor Aalfs introduced Rafael Reyes, Director of Programs for Peninsula Clean Energy. Mr. Reyes and Silicon Clean Energy's Director have spearheaded the reach code effort in the two Counties.

Assistant to the Town Manager de Garmeaux asked for Council guidance regarding continuing with the GreenPoint Rated Checklist as the main element of the Green Building Ordinance.

She said they discussed with the Sustainability Committee the values of the GreenPoint Rated Checklist, which takes a more holistic approach and allows more flexibility. She said a third-party rater is required to verify the measures included in the GreenPoint Rated Checklist as well as the State CALGreen Code, which is difficult for building inspectors to validate. She said the GreenPoint Rated Checklist has been used in Portola Valley since 2010 so the architects are used to the system. She said the proposed update from Build It Green encourages mixed fuel and electric homes, and has used the model language used by the cost effectiveness study. She said it is an easy way for the Town to keep some elements of the Town's Green Building Ordinance but also support the ongoing regional effort.

Assistant to the Town Manager de Garmeaux asked for Council guidance regarding the Electric Vehicle Charging Level 1 and Level 2 stations.

She said the Town received assistance and technical support from the regional effort to analyze the current ordinance against the new code and model codes. She said the current solar PV and solar thermal readiness, graywater readiness, and potable water on turf are all reach codes and do not necessarily need to be updated unless directed to do so by the Council.

Assistant to the Town Manager de Garmeaux suggested further study of opportunities for EV readiness with ADUs and non-residential units. She said the multi-family needs to be reviewed against the updated GreenPoint Rated Checklist, once available.

Mayor Wengert invited questions from the Council.

Councilmember Hughes said in his experience, the L-1 chargers are useless. He asked about the reason for the recommendation to go to L-1. Mr. Reyes said part of the rationale around that is that 60% of EVs currently in single-family residential homes are being charged at Level 1. He said most commute about 30 miles daily in San Mateo County and Level 1 is sufficient to address that. He said with larger battery sizes, people aren't actually charging on L-2 every day and will often switch off depending on the needs of the particular car. He said the L-1 provides more flexibility. He said the concern on a regional standpoint is that L-2 could create triggers to require increased panel sizes and there were concerns around costs. He said, of course, if the Council chooses differently, it might be more appropriate here in Portola Valley. Councilmember Hughes said if a new build of an all-electric house in Portola Valley, which would tend to be larger than the County average, would have any impact on their recommendation. He suggested that having a second L-2 charger would not need a bigger panel because it would already be very large. Mr. Reyes said it usually depends on the specifics of a particular development, especially if it's all electric. He said there is also the cumulative effects in a local distribution grid with regard to a total increased capacity. He said the overall sets of recommendations were attempting to be sensitive to those potential triggers, being somewhat more conservative.

Mayor Wengert asked about the University of California graph. Mr. Reyes said the U.C. system performed this study in 2017, which resulted in the U.C. System committing to all-electric construction going forward. This graph showed three different building types. He said the construction costs were lower to go all-electric. He said the study showed the operating costs of gas or electric were essentially the same.

Councilmember Derwin asked if the Town was currently considering mixed fuel. Assistant to the Town Manager de Garmeaux said the proposed update to the checklist would allow for a mixed fuel home and rewards all-electric homes with points. Within that, it requires electric readiness. Councilmember Derwin asked for an explanation of electric readiness. Vice Mayor Aalfs said a mixed fuel house requires an outlet for future heat-pump water heater. The reach code requires an induction cooktop, heat-pump dryer, and heat-pump space heating.

In response to Mayor Wengert's question, Assistant to the Town Manager de Garmeaux said under the Town's current code, the requirement for electric readiness would be triggered with a major remodel.

Councilmember Derwin asked if EV Readiness on ADUs is something that might be put into the reach codes. Assistant to the Town Manager de Garmeaux said they first need to know if it's allowed under the State law for ADUs. If it is, staff will bring it to the Council as an opportunity to include. She said they don't want to do the research before knowing if it is allowed. Councilmember Derwin said some ADUs don't have garages and are far from where the cars would be parked. Assistant to the Town Manager de Garmeaux said they would provide allowances, the same type of thing as done the solar PV systems.

Councilmember Derwin asked if there were any water features besides graywater readiness. Assistant to the Town Manager de Garmeaux said they would maintain, at the Council's direction, the reduction of potable water usage on turf. For ADUs, they included the laundry-to-landscape-capable. She said the reduction of potable water use on turf requires a rainwater catchment system, triggered based on the size of the turf. A fully-installed graywater system would allow an owner to not have the rainwater catchment.

Mayor Wengert asked if there will be a penalty to homeowners who do not go all-electric. Assistant to the Town Manager de Garmeaux said the California Energy Commission requires the cost effectiveness study to ensure that any reach code implemented is cost effective for the construction. She said the idea is that if the building is built more efficiently to begin with, although elements may be more expensive to construct, they will result in a building that will be cost effective over its life. Vice Mayor Aalfs said the methodology is that the cost of installing gas plumbing is several thousand dollars which, if eliminated, contributes to the cost effectiveness of going all electric. He said most retrofits would fall under the additions and alterations part of the code, which doesn't include these requirements.

With no further questions from the Council, Mayor Wengert invited questions from the public. Hearing none, she brought the item back to the Council for discussion.

Councilmember Richards was supportive of continuing with GreenPoint Rating. He said, however, there are some areas of construction where it really doesn't work, especially in small remodels.

Councilmember Hughes was supportive of maintaining the current requirements. He said opportunities for EV readiness on detached units will be tricky but, even if it can't be required, it can be encouraged. He said he is not sure that requiring an L-1 charger makes sense in Portola Valley, because two chargers are already required. Assistant to the Town Manager de Garmeaux said maybe it just needs to be specified that they're not in the same location.

Councilmember Richards said preparation for graywater readiness is not possible at some residences due to the geology of their properties. Assistant to the Town Manager de Garmeaux said this was designed for the possibility that there could be a system that renewed it and held it in a tank for watering. Councilmember Richards said those systems are incredibly expensive. He said the requirement to distribute it underground is the bottom line.

Councilmember Derwin said she has one in her ADU and it has been a nightmare, backing up into the ADU and having to replace the floors. She said she also has rainwater capture and has had to replumb a lot of things and redo parts of her irrigation because that water cannot be in any kind of sprinklers that

pop up and spray. Councilmember Richards said it is incredibly complicated. Vice Mayor Aalfs defended the graywater pre-plumbing because it is easy and trivial to add during a new construction.

Councilmember Derwin said her ADU has no garage and is near the pool and not practical to power an EV. She was supportive of the reach codes.

Vice Mayor Aalfs disclosed that he is a GreenPoint rater and Energy Compliance Consultant for his day job, although he does very little work in Portola Valley. He said he generally supports the reach codes. He said requiring the reach codes results in better projects. He said the electric readiness is important because he predicts that in the next decade there will be a natural gas death spiral because prices will go up as demand drops and people will be stranded without an affordable source of natural gas. For that reason, it should be encouraged to have the option of going all electric. He said it's an important step on energy savings and climate change.

Mayor Wengert thanked Assistant to the Town Manager de Garneau for her work on this issue. She said Portola Valley has been a leader in this area and wants to continue as such. She said she applies a lens to all of it to see who will be most impacted in a negative way, which will be the existing home supply and not the new homeowners, and, in this case, also the ADUs. She said she supports the new reach codes for the brand-new projects but suggests not requiring it for ADUs. She urged prompt communication with the community regarding these efforts. Vice Mayor Aalfs said the new ADUs should require electric readiness for the interior appliances. The Council agreed.

Vice Mayor Aalfs pointed out that the reach code includes an option of using electric space and water heating but still using gas cooktops.

Danna Breen pointed out that all electric homes are much safer in terms of fire. Vice Mayor Aalfs said they are safer from fire, internal air quality, etc. He said gas cooktops are not safe or healthy.

Assistant to the Town Manager de Garneau said the current Green Building Ordinance includes a point requirement but allows self-certification so there is no additional cost associated. She said they are getting help from the technical support staff in researching what is possible with ADUs. She said they are not entirely certain that the current rules are allowed and it is an open question at this point. Town Attorney Silver said there are three ADU bills that have passed both houses awaiting signature that the technical team will take into consideration.

(10) **Discussion and Council Action** – Subcommittee on Committee Support report

Mayor Wengert explained there were significant comments from the public at the last Council meeting regarding the Subcommittee report. She said they took back some of those comments and tried to clarify what was at the heart of the issue, which was attempting to make sure they were orienting the timing for all the preparation of priorities for both the Committees and the Council with the budget review process so they didn't get into the issue they had this year with last minute requests that they were unable to adequately assess. She presented the revised the Subcommittee on Committee Support report, as included in the meeting packet.

Mayor Wengert pointed out that Solution #3 was clarified to indicate that the Committees would first be solicited for their priorities for consideration by the Council for the next fiscal cycle. Solution #4 clarified that Council Liaisons are there to support the Committee Chairs and Members and to act as a resource for them.

Mayor Wengert invited questions from the Council.

Councilmember Derwin asked, with regard to Solution #10, if the Cable and Underground Committee will exist, be dormant, or be eliminated. Mayor Wengert said it will be active on an as-needed basis, like Public Works, Geology, or Historic Resources.

Mayor Wengert said a two-person subcommittee (Councilmember Hughes and Vice Mayor Aalfs) will be created to develop and spearhead a revitalizing recruitment effort for the Nature and Science Committee.

Councilmember Derwin asked if the Public Works Committee members would be allowed to use chainsaws. Town Manager Dennis said they have confirmed that the current insurance will cover volunteers, so they can use chainsaws.

Councilmember Derwin asked who would be recruiting for the Event Support Team and Community Engagement Committee. Town Manager Dennis said staff will take that on. He said implicit in this is a broader call to action for volunteers.

With no further questions from the Council, Mayor Wengert invited questions and comments from the public.

Betsy Morgenthaler, 500 Portola Road, referred to the line that reads “By aligning Committee and Town priorities at the outset.” She said priorities are necessarily targeted and focused whereas Committees are quite broad in what they take on. She said the word alignment might be misunderstood by other Councils. Mayor Wengert said the idea is that they work together and it means they are in agreement. Councilmember Hughes said he reads it as alignment means the two will adjust so they are pointing in the same direction.

Judith Murphy, said they really value increased support from a Communication Analyst. She said it is very important to unburden Assistant to the Town Manager de Garneau somewhat because she’s had too many hats and too many other high priority jobs. Ms. Murphy said, with regard to Solution #3, that the word “align” sounds like the Committees need to get in line behind the Council, which was not likely the intent. She said she understands now that it is just an attempt to get the Committees and Council working together. In response to Ms. Murphy’s question, Mayor Wengert said the Committee Priorities Workshop will be held in January and the annual report to Town Council will still be April or May, more toward April, so the Council has plenty of time. Town Manager Dennis said his understanding was that the January meeting would be the look-forward meeting and the April or May meeting would be the look-back meeting. Mayor Wengert said the Conservation Committee report is comprehensive so it will be as it is now, looking both backward and forward. She said the additional January meeting will be to reconfirm priorities.

Town Manager Dennis said these suggested solutions, if adopted tonight, would result in some modifications to the handbook. Town Manager Dennis said the handbook would be brought back to the Council based on this memo for approval.

Councilmember Hughes said Mayor Wengert undersold the work that had clearly gone into this report since last time. He said he very much appreciates how much time the subcommittee has clearly spent taking to heart everything heard last time and folding that into this document. He said a lot of those ideas were already in there but were hard to get out. He said a lot of work has gone into rethinking what was being said, how it was being said, and how the framing works. He said he is now fully onboard with the report and said all of the goals and ideas in the report are exactly right.

Councilmember Hughes moved to accept the report and direct staff to update the manual. Seconded by Councilmember Richards; the motion carried 5-0.

(11) **COUNCIL LIAISON COMMITTEE AND REGIONAL AGENCIES REPORTS**

Councilmember Richards – Attended Conservation Committee meeting where they discussed the Stanford Lands upcoming project, the need for a careful study of fire safety, Town-owned properties, how to deal with maintaining open space, the Open Space Acquisition Meeting and presentation of map showing potential open space alignment with the road remnant and potentially connecting Hawthorns and Windy Hill, and preparation of a letter to Woodside Fire recommending they step-up their fire efforts on some properties in town.

Councilmember Hughes – Attended Trails Committee meeting where they chose one new member and decided not to increase the size of the committee at this time; discussed the Coal Mine Ridge Open Space Preserve map signage; the development project on Meadowood; people piling up material in anticipation of chipper dates; and the trail in front of Alpine Hills Club. He attended the Open Space Acquisition Committee meeting where they discussed the 2% UUT. They also discussed the road right-of-way property adjacent to the Frog Pond open space property. The general consensus of the Committee was that if this property was private property owned by anyone else in town, and the Open Space Committee were to look at it and review it, their conclusion would be it is a great piece of property to target for acquisition by the Town for the purpose of open space. Because the Town already owns the property it can be potentially converted to open space for free. The Committee approved a resolution recommending that the Town protect the open space character of the entire corridor that connects Hawthorns to Windy Hill and Coal Mine Ridge. They also discussed the ongoing project to look at Town-owned parcels in town that might be disposed of to other property owners, keeping the open space easements on them so they cannot be developed but that may better benefit the property owner than the Town. Mayor Wengert asked if this was part of the subcommittee on Town-Owned Properties. Councilmember Hughes said it may have come out of that initial review of the list of 37 properties. Attended Rossotti's with several staff members last night in a low-key social atmosphere.

Councilmember Derwin – Attended C/CAG Legislature Committee meeting on September 12 where they discussed several bills, including that there could be two nine-County tax measures on the same ballot – one regarding affordable housing and one regarding FASTER, a transportation measure. At the C/CAG meeting there was a presentation by commute.org. They discussed a disposable food service-ware ordinance in unincorporated San Mateo County. They also discussed the next RHNA process and the possible formation of a subregion. She said the next RHNA cycle, which previously increased approximately 4%, will this time increase between 50% and 200%. She said there will not be a lot of trading, fewer sites can be counted, land use changes and rezoning will be needed, and justification will be required that units can be developed in the allotted timeframe. It is very important to have an on-time housing element certified by HCD by December 2022. She said the bigger cities do not want to form a subregion. She said they will informally work together so everyone can have help to get their housing elements to a point where they can be certified. She attended the Sustainability Committee meeting where they discussed books, the Cal Water rate case report, a speaker series or movies, Wildfire Committee update, recommendation to support climate emergency movement, and a garden tour in 2021. Councilmember Derwin and Mayor Wengert attended the History Maker's dinner. Councilmember Derwin and Town Manager Dennis attended the Foundation for San Mateo County Libraries launch party. Councilmember Derwin attended the Committee for Green Foothills Nature's Inspiration. She attended the Library meeting where the final budget was approved and they discussed their mobile outreach services. She spoke at the US 101 Willow Road Interchange Replacement Project. She and Town Manager Dennis attended the Santa Clara Board of Supervisors meeting to discuss the Stanford GUP. She and Town Manager Dennis attended the agenda study for the next C/CAG meeting. She met with Fire Chief Enea who expressed serious concerns about fire safety on the Stanford Wedge property.

Vice Mayor Aalfs – Attended lunch at The Sequoias today with Mayor Wengert and Town Manager Dennis where they shared some conceptual drawings of housing sites and will be holding resident meetings to discuss it. They have also done a study for a large solar installation.

Mayor Wengert – Attended the WASC meeting last week that started as a discussion of housing and then moved into a series of code enforcement discussions about specific properties such as illegal curb cuts, bad lighting, etc. She then attended the meeting with the Planning & Building Director Russell and the Committee Chairs where they discussed planning issues. Mayor Wengert said it may make sense to schedule a community meeting to hear from the community about how much enforcement they want the Town to do. Town Manager Dennis said staff has been working on civil penalty issues and that the code does not provide the tools to do certain kinds of enforcement.

(12) **TOWN MANAGER REPORT** – Town Manager Dennis said he met today with representatives of WASC to discuss process-related questions. He said they discussed how they can have a process that provides applicants with the correct information. He attended a Firewise presentation at the Ranch that was well received. He is meeting with his counterpart in Atherton tomorrow to discuss the ALPRs. He said they were struggling about whether the November 13 meeting at the Sequoias was the right time to have some issues coming up on the agenda given that audio visuals are very difficult in that space, so they are looking at doing some kind of annual special meeting there as a meet-and-greet with possibly a presentation. Town Manager Dennis said they recently joined the Regional Consortium, a training consortium that includes all the cities in San Mateo County. They hosted their first event in the community hall about effective public speaking.

#### **WRITTEN COMMUNICATIONS**

(13) **Town Council Digest** – September 12, 2019

#4 – Invitation – Council of Cities Dinner Meeting – Friday, September 27, 2019. Councilmember Derwin will attend.

(14) **Town Council Digest** – September 19, 2019

None.

#### **ADJOURNMENT [10:32 p.m.]**

Mayor Wengert adjourned the meeting.

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Mayor

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Town Clerk