

PORTOLA VALLEY TOWN COUNCIL REGULAR MEETING NO. 861 JUNE 12, 2013

Mayor Richards called the meeting to order at 7:30 p.m. and led the Pledge of Allegiance. Ms. Hanlon called the roll.

Present: Councilmembers Jeff Aalfs, Maryann Derwin and Ted Driscoll; Vice Mayor Ann Wengert, Mayor John Richards

Absent: None

Others: Sharon Hanlon, Town Clerk  
Nick Pegueros, Town Manager  
Karen Kristiansson, Principal Planner  
Brandi de Garneau, Sustainability and Special Projects Manager  
Leigh Prince, Assistant Town Attorney

ORAL COMMUNICATIONS [7:31 p.m.]

Jeff Christina, 1500 Berger Drive, San Jose, speaking on behalf of GreenWaste Recovery, announced that a service is scheduled for July 4, 2013. He said residents overfilled the 20-yard bin they brought to Town for the May 4, 2013 cleanup; thanks to that success, next time they'll bring a 48-yard bin. He distributed business cards and invited everyone to tour GreenWaste's facilities to see the complex process that takes place after their materials hit the bin.

CONSENT AGENDA [7:33 p.m.]

- (1) Approval of Minutes: Town Council Regular Meeting of May 29, 2013 [*removed from Consent Agenda*]
- (2) Ratification of Warrant List: June 12, 2013 in the amount of \$410,128.59

By motion of Councilmember Aalfs, seconded by Councilmember Derwin, the Council approved the Consent Agenda with the following roll call vote:

Aye: Councilmembers Aalfs, Derwin, Driscoll; Vice Mayor Wengert, Mayor Richards

No: None

- (1) Approval of Minutes: Town Council Regular Meeting of May 29, 2013

Vice Mayor Wengert moved to approve the minutes of the May 29, 2013 Special Joint Meeting of the Town Council and Emergency Preparedness Committee, as amended. Seconded by Councilmember Aalfs, the motion carried 4-0-1. (Driscoll abstained)

REGULAR AGENDA

- (3) Public Hearing: Recommendation by Town Manager: Consideration of Amendment to Town's Master Fee Schedule [7:35 p.m.]
  - (a) Adoption of a Resolution of the Town Council of the Town of Portola Valley approving a Revised Fee Schedule for its Administrative, Building, Public Works/Engineering and Planning Departments (Resolution No. 2595-2013)

Mr. Pegueros said the Town last undertook a comprehensive fee study in FY 2011-12, prepared by NBS Consultants. After the conclusion of that 12-month process, the current fee schedule was adopted in May 2012. Several changes are recommended:

- An across-the-board increase in all adopted fees based the Consumer Price Index (CPI) for the San Francisco region, to be used annually between comprehensive fee studies (which occur every seven to 10 years). This is recommended to ensure that Town fees don't fall behind as has occurred in the past. The current CPI of 2.4% will pass on a portion, but not all, of the projected increased personnel costs, which is the primary driver.
- Reinstating Planning and Building fees that were inadvertently omitted from the May 2012 update of the Master Fee Schedule:

Planning Fees: Zoning Permit Fee and Sign/Gate Application Fee to the ASCC

Building Fees: Planning Department Review of Building Plans Fee and Required Plan Check Fee for Other Projects

- New Administrative Fee for Electric Vehicle Charging Stations

Mr. Pegueros turned the discussion of this matter over to Ms. de Garmeaux, who said they are recommending a two-tier fee structure to offset costs associated with operating the EV stations when the grant expires in December 2013 and to discourage use of the charging stations as the primary source of energy for electric vehicles. The first hour of use would remain free, which would equate to approximately 39% of the charging sessions at the Town Center. After one hour of use, users would pay \$4.00 per hour.

Ms. de Garmeaux said staff also asks the Council to authorize the Town Manager to adjust the fee as necessary to ensure cost recovery and have the flexibility to adjust the fee to be competitive with surrounding Towns that also received grants and are also now looking at fees.

Mr. Pegueros added that EV charging station usage skyrocketed in January 2103. He reiterated that the purpose of the fee is to recover the Town's capital and operational costs within five years and to set aside funds to replace the stations as needed.

In response to Councilmember Derwin, Mr. Pegueros said staff's recommendation would be to make CPI adjustments annually and repeat the extensive and expensive in-depth fee studies every seven to 10 years. While personnel costs are projected to grow faster than CPI, he said, by approving a CPI-based adjustment, the Council wouldn't have the constant concern about overcharging for those services.

Also in response to Councilmember Derwin, Mr. Pegueros clarified that the \$120 fee for Plan Check is a catch-all fee for Building Department services that aren't explicitly described in the fee schedule, such as a shed. The \$140 Plan Check Fee is for Building Permits that require ASCC review.

Councilmember Derwin asked for clarification of the Sign/Gate Application Fee of \$660. Mr. Pegueros said it's for sign, such as an address sign erected on a property, or a gate. Councilmember Derwin asked if someone were to erect a small address sign, if they would be charged \$660. Mr. Pegueros said if it needed to go to the ASCC, yes, but if the application were for both a gate and a sign, the Town wouldn't charge the fee twice. He said the fee is based upon the number of hours the staff has historically spent reviewing, preparing the reports, etc. Mr. Pegueros said a number of inspections may be required to ensure adherence to ASCC conditions. Councilmember Derwin said it seems to be a disincentive to do the right thing, and she's concerned about some of these fees.

Vice Mayor Wengert asked how the proposed fees compare to those in surrounding communities, and whether other communities link increases to the CPI. Mr. Pegueros said other places he's worked use

CPI adjustments in years where they didn't conduct in-depth fee studies, but community comparisons are difficult because fee schedule studies are complex and are not done frequently. He said the consultants engaged for the Town's last study recommended considering annual CPI adjustments. He doesn't know precisely how Portola Valley's fees stack up in comparison to other communities, he said, but would investigate it if that's what the Council wants. Vice Mayor Wengert said the CPI link is a logical way to protect the Town from having expenses rise faster than revenue does.

Virginia Bacon, Golden Oak Drive, asked about the fee for shed applications, when it seems a permit isn't even needed for an 8x10-foot shed. Mr. Pegueros explained that fees fall into three categories:

- 1) Fees the Town identified as being solely for the benefit of the property owner, such as an addition to their house. In those instances, 100% of the cost to approve that project would be borne by the applicant.
- 2) Fees for projects that have both public and private benefit, where the cost recovery shouldn't be 100% because the general public is benefiting from this regulatory structure and the applicant should pay only a portion of the fee.
- 3) Fees of general public benefit, such as tree removal. We don't want to establish fees that would discourage individuals from tree removal because that is of general public benefit.

The fee Ms. Bacon asked about was one of those inadvertently omitted from the previous fee schedule, he said. If the Council wanted this particular fee re-examined, that can be done.

Councilmember Driscoll said that most of the time, he said, a shed is not a big deal, but they shouldn't be entirely exempt. He recalled a case in which a major complaint resulted from a shed being placed very close to an adjoining property, and the visual impact of that shed became quite contentious issue.

Kevin Webster, Westridge Drive, said regulations regarding size and setbacks are already in place that would cover sheds. He asked if there would be fees for temporary containers, for example, a 24-foot container that is 8 feet wide and 9 feet high. Mayor Richards said those were addressed under special circumstances. He said we're getting hung up on the shed issue and this is a really just a catch-all fee, not just for sheds. Mr. Webster said his understanding is that if it's over 120 square feet it goes under review.

Mr. Pegueros said this fee needs to be looked at in greater depth and asked that the Council hold that piece and he'll work with the Building Department to come back with a very specific recommendation.

Resident, Beth McClendon, asked why fees aren't priced on the basis of how many hours a project actually takes, so that as staff becomes more efficient, the price could decrease. Mr. Pegueros said that was the purpose of the periodic comprehensive fee study. Costs have increased since the 2012 study, he said, and will increase yearly. It generally takes six to nine months to do a fee study; Portola Valley's 2012 study took 12 months and cost upwards of \$25,000. He said no efficiencies have been developed since that study; but costs have increased.

Mr. Pegueros said he suspects that in seven years when they do another comprehensive fee review, there will likely be efficiencies that have been implemented, but producing new efficiencies year after year is rare.

Carter Warr, Willowbrook Drive, asked if these fees reflect the shift from a contract Town Planner to an in-house Town Planner. Mr. Pegueros said the flat fees as outlined in the fee schedule factor in base-level service for any process. Billable hours for consultants (both planners and attorneys) are additional. The recommendation is that for staff hours above and beyond the base level be charged at the staff rate. Because the contract Town Planner is in the \$200-per-hour range and staff is in the \$100-\$125 range, it would be a reduction, but the additional charges would still be there.

Councilmember Derwin asked why a \$1,000 deposit required on the Zoning Permit Fee. She said it seems high. Mr. Pegueros said deposits are charged because the costs vary significantly from application to application. The deposit, as recommended by the Planning Department for use on an as-needed basis, is to ensure coverage for complex projects. He said any excess fees are returned to the applicant.

Councilmember Derwin said she understands the rationale and it makes perfect sense, but if we are going to look at this again next year and still raise it 3%, she would not support it. When Mayor Richards asked why, she said she feels as if we are already overreaching. She would have to see evidence that it really made sense and that we're in line with other cities.

Vice Mayor Wengert said the annual increases would protect the Town in what is likely to be an inflationary cycle. She said given the increases we've seen to date in the cost structure at the Town level, and since we are a zero-cost-based system and we have to balance our budget, with revenues matching expenses, it would be easy to fall behind when there are some very significant personnel and other costs that we will be facing down the road. After some discussion, Councilmember Derwin did not change her opinion.

Councilmember Driscoll moved to approve the Proposed Revised Master Fee Schedule with the exception of except for the Sign/Gate Fee and the Plan Check Fee for Other Projects (such as sheds).. Seconded by Vice Mayor Wengert, the motion carried 5-0.

(4) Report from Affordable Housing Ad Hoc Committee [7:53 p.m.]

Mayor Richards welcomed Committee members and thanked them for all their hard work. He said this was a great first step that will move the Town along to the 2013-14 planning cycle.

Mr. Toben said the Committee report acknowledges the Town's obligation to plan for its share of affordable housing under state law. The Committee believes the report provides useful guidance to the Council regarding priorities and policies to meet that obligation. He said the Committee endorsed the report unanimously with one abstention. In his experience of service to Town, Mr. Toben added, this is the most complex assignment a citizen group has ever been given with a product to be produced in three months' time. He said the Committee has done remarkable work and deserves our great appreciation for their efforts. He acknowledged the following people for providing essential ingredients to their report:

- Town Manager Nick Pegueros, for yeoman's work in preparing materials, compiling results, serving as the Committee's real-time editor, going way beyond the call of duty working on this project.
- Principal Planner Karen Kristiansson, for her extraordinary work providing technical expertise, developing a presentation that in a highly distilled way educated community members on the Town's legal requirements and the boundary conditions that pertain to the Housing Element. She was also responsible for the final organization of all the complex material in the Committee's final report.
- The Town Council, for giving over such scope and authority and a complicated policy dialogue of this magnitude to a group of citizens, to produce a set of recommendations for consideration. He said the Committee felt quite empowered with that charge, which resulted in a report that reflects genuine engagement on their part.

Ms. Hasko, who also thanked staff and Ms. Kristiansson for supporting their effort, going through an enormous amount of work to help the Committee be as productive as possible, said that she, Mr. Warr and Ms. Murphy would provide an overview of the report. Ms. Hasko said their presentation would additionally provide an overview and context for the report, details on the second-unit program, and additional comments on certain aspects of other programs.

Ms. Hasko said they appreciated the significance of the issue during their entire three-month period working together. They held six publicly noticed outreach meetings, followed by sub-committee meetings to analyze the results of those meetings. They met to draft and critique portions of the report, and reviewed hundreds of pages of information. Despite all of that, it seemed they could never give enough time to the topic or enough energy, so delaying submission of the report was seriously considered. In the end, they decided to meet the requested timeline and let the Council decide the appropriate follow-up.

Ms. Hasko the Committee was fortunate in getting a lot of community input in the meetings and public outreach efforts. They heard and appreciated constructive comments and well-articulated concerns. But because they did not hear from the entire community, she said the Committee encourages the Council, as it moves forward to define the Housing Element over the next several months, to make a deliberate public outreach effort to allow those who have not yet weighed in to do so.

As Ms. Hasko explained, one of the Committee's assignments was to create a Mission Statement, a concise articulation of what the Housing Element should achieve. The Recommended Mission Statement for Housing in Portola Valley is covered in the first section of the report. Two themes emerged in all of the meetings that the Committee felt were important to factor into the recommendation to the Council:

- Communication with housing authorities. She said they encourage the Town to continue efforts to educate housing authorities at all levels (state, regional and local) about how Portola Valley's unique situation affects its ability to provide housing (e.g., being in a seismically active area with challenging topography). She said these challenges should be factored in appropriately and well considered by those who set affordable housing requirements.
- Town's role in affordable housing programs. Ms. Hasko said the strong consensus throughout the Committee and public meetings was that the Town's role should be that of encouraging a market-based solution to provide affordable housing units. In general, she said people wanted to see the private sector encouraged and facilitated to create these units. She said if the Town finds opportunities for more direct involvement, such as perhaps directly subsidizing construction, the Committee encourages the Council to do that only after robust public discussion and enabling the public to understand and weigh in on the particular facts of the opportunity.

She said the Committee was also assigned to provide Overarching Criteria for the Provision of Housing in Portola Valley, which is covered in the report's second section. She said these criteria would look familiar because they derive in large part from values already articulated in many of the Town's policies and documents. These criteria focused on housing and offered more granular housing-related suggestions.

The bulk of the report, in the third section, is devoted to Recommendations for Specific Housing Programs, which prioritizes programs that are available for the Town to meet its Affordable Housing requirements. The programs, which are all defined in the report, include:

- Priority 1: Second Units
- Priority 2: Affiliated Multi-Family Housing
- Priority 3: Inclusionary Housing

The report also includes appendices addressed to each program. They are the Committee's attempt to collate and summarize feedback from the public and Committee members' suggestions. They are not a prioritized list or a list of items already determined to be feasible. The Committee offers these appendices as a starting point for the Council's efforts going forward to use in perhaps implementing any program that the Council decides to implement, and the Council would have to perform the feasibility study and prioritization – the Committee has not done that.

Unaffiliated Multi-Family Housing, another program derived from the current Housing Element, was not recommended in the priorities for meeting the Town's Affordable Housing requirement, but it is a program that was well discussed. Should the Town decide to pursue that as a means to achieve affordable housing requirements, the Committee attached as an appendix the comments they received.

Ms. Hasko said the appendices should be viewed as a tool for the Council moving forward, as a collection of ideas obtained from the community.

Ms. Murphy said that Second-Unit Program is the first on the list of recommendations because in terms of the people who the Committee heard from, it was overwhelmingly supported as the priority method to meet as many of the RHNA requirements as possible. She said that second units seemed to best allay the fears of people in Town when they hear about affordable housing, specifically the loss of local control and control over aesthetics, the two concerns that came up most often. She said second units would be dispersed throughout the Town and homeowners would have built-in aesthetic control.

To increase the number of second units, Ms. Murphy stated, the Town would have to be less restrictive in its rules about how and where second units can be built. Appendix A lists the many ideas (not prioritized) that were discussed on how to achieve this – some clever, some practical, some far out, she said.

She said the Town must find a way to assure that any support given to the creation of second units actually results in housing units that meet RHNA requirements in the moderate-income category that the Town's lacking, and that those units are actually used in that way. It is not appropriate for the Town funds to be spent underwriting units that merely become guest quarters or studios for property owners.

She said an integral part of the Committee's recommendation is the need for more public input as this work goes forward, at every step along the way. One of the first things the Committee had to accomplish was getting over the hurdle of residents being very unnerved about what they thought had gone on in the past and they didn't want that happening again.

Mr. Warr discussed Affiliated Housing and Inclusionary Housing, both of which may be made more effective and viable as sustainable ways to provide affordable housing if the Council concurs with the Committee's recommendations. Mr. Warr explained that the existing Affiliated Housing program provides housing on properties where the housing isn't the primary use – but that the housing can be used by employees or staff members. Currently the Housing Element considers The Sequoias, the Priory and the Stanford Wedge as places for that opportunity.

As the Committee went through this, Mr. Warr continued, members also sought other places – on properties such as commercial properties where there might be a way to provide some housing for employees, agricultural properties, and also on potentially an open-space property such as the Woods property, where the Midpeninsula Regional Open Space District (MROSD) is employing people in this earning category. He said MROSD is also looking for effective ways to use those historic buildings or other parts of the property. He said because it's about employees and staff, a key factor in the Overarching Criteria concerns provide housing for people who work in Portola Valley. He said the Town's efforts in regard to Affiliated Housing should help property owners see the opportunities and benefits, while supporting the complex process of approvals in construction. Some of these organizations consider even thinking about the process too complex and too divergent from their core goals. The Committee thought it would be very positive for the Town to commit funds and efforts to help make that happen.

The Inclusionary Housing is an existing program the Town has used in the past – the Blue Oaks experience is a part of that. The Committee felt the program needs adjustment because at this point, within the ordinance and the General Plan, provides land only and not necessarily housing. The Committee was clear that in Inclusionary Housing needs more teeth to work effectively.

The Committee recommends making Inclusionary Housing units look like the rest of the Town. The Overarching Criteria talk about dispersion and making sure the visual and behavioral parts of housing blend in with the Town's overall aesthetics.

Mr. Warr also discussed Unaffiliated Multi-Family Housing, which isn't associated with any institutions or single-family residences or anything else. The Committee made several important recommendations, he said, including that this should be a lower priority because there is no basis within the Zoning Ordinance or the General Plan and there are no sites available. This method would require vigorous, robust and very public review and discussion; identification of density, costs and infrastructure required; long-term ramifications. He said that in the broadest terms, Unaffiliated or Multi-Family Housing really needs to look like the rest of the Town. He said there should be nothing visually discernible to set it apart.

As Mr. Warr explained, the purpose of the Unaffiliated Multi-Family Housing should not be about increasing the population, but about housing the people who live and work in Town. It should be developed in a sustainable way, with market-based solutions that the Town supports in the form of encouragement rather than providing significant funds.

In closing, Mr. Warr said he's thankful that Mayor Richards convinced me to volunteer to serve on the Committee. He said he was very skeptical about the process and the short timeframe, and is really pleased about the Committee members and how well it worked. That said, he added, an enormous amount of work remains to be done. The "bin list" the Committee developed still has a lot of unanswered questions. There are ongoing efforts in the general recommendations about the regional coordination that he said he hopes the Council takes very seriously and very actively works with the other communities to define legislative ways to make refinements in the law that recognize differences among communities. The Committee doesn't want the Town to shirk the responsibility, but have the responsibility effectively attended to. Mr. Warr said he looks forward to continuing to watch this mature; the Committee's work is just the beginning of a process that will get stronger and more valuable as time goes on.

Councilmember Derwin asked what "internal second unit" (page 5) meant. Karen Kristiansson explained it was a second unit developed within the footprint of the existing house, for example, if someone walled off a couple of bedrooms, put a door on the outside, and added a kitchen and a bathroom.

Referring to the amnesty discussion, Councilmember Derwin asked why anyone would "consider hiring a third-party independent building inspector (or appropriately qualified person) to confidentially inspect second units to assess if they 'meet code' and, if not, explain what it would take to bring them up to code." Mr. Warr explained that many amnesty programs arouse fears that once a person enters into a discussion about a property, there's no way to back out. For example, perhaps due to some zoning change, an existing second unit may be on a parcel too small to allow second units. This is a way to give people a safe haven to start a discussion.

Mayor Richards opened the public hearing.

Katherine Terhune, Wyndham Drive, said tonight's presentation from the Ad Hoc Affordable Housing Committee is a landmark event resulting from countless hours of research, problem-solving, networking, authoring and editing. This draft, while viewed as a work-in-progress by a number of Committee members, still stands on its own as a clear, detailed report of the findings describing the approach the residents of the Town at large see as most desirable regarding the affordable housing mandate set by the state government.

She said that an article in today's *Almanac* refers to past divisiveness on this issue as if there were warring factions in the community, when in fact any sense of divisiveness has centered on issues of communication, process, transparency and involvement of all stakeholders. The same article states that residents at large united with the Nathhorst neighborhood to deflect a development they considered contrary to the Town vision – an example of unity rather than divisiveness. Ms. Terhune said we need that same spirit, and look forward to ongoing community dialogue and decision-making in concert with the Town government. This theme is noticeably woven throughout tonight's draft report by the gold thread in a tapestry.

The Council's receiving the Committee's draft tonight is significant, she continued, because it resembles a door opening with a welcome mat for the members of the community and Town government to work together going forward. We in Town are grateful the Committee was formed and brought together members from a variety of neighborhoods. The Committee and Subcommittees were assigned a massive task to accomplish in a very short timeframe. Working feverishly, she said, they rose to the occasion.

The fact that the Committee's report is a "draft" report and not a "final" report implies an ongoing open process that can be described as continuing if the Council concurs with the residents' recommendations, Ms. Terhune said. "What a healthy opportunity for Portola Valley," she said, noting that residents look forward to more notices in our mailboxes alerting us to key steps in this process. Affordable housing in any community is an issue we all care about. Our Town is a unique environment. We all care for it deeply, and preserving the nature of our community, while embracing the diverse population – well, surveys show that we already do that quite well. There is a diverse population in our Town and it can be enhanced without compromising the vision of our origins – a rural community with scenic and usable outdoor opportunities, while maintaining the policy of low density when it comes to building on properties. Dispersed, not concentrated, affordable housing is a strong component of tonight's draft, reflecting the viewpoints expressed repeatedly at the community meetings held throughout our Town.

As Ms. Terhune put it, the feeling that Regional Housing Needs Assessment (RHNA) numbers seem relentless as we project into the future came up repeatedly in the meetings. We need to continue doing what we do with integrity, to continue to do what's right and not just take the path that looks easy. Referring to efforts to address affordable housing issues led by Assemblymember Rich Gordon, she said she hopes the Council will join the united effort on this front so that multiple and diverse Bay Area communities may be the key for dialogue with ABAG to demonstrate that their projections are not necessarily seen as gospel by other agencies seasoned in this same field. We need dialogue and community involvement at a local, county and state level, she said, adding that a grassroots voice fits Portola Valley's vision far better than housing requirements imposed by outside agencies. In closing, Ms. Terhune thanked the Council for receiving the Committee's draft in earnest and for their keen attention to this very important matter.

Bud Eisberg, Wyndham Drive, who served on the Committee, wanted to speak personally on "unfinished business" items – things the Committee should have discussed and never got to because of the compressed timeframe they had to work with:

- The economics of Affordable Housing in Portola Valley. Given our property values, high construction and infrastructure costs, what does it take financially to make a project work in this Town? That's an important thing for the public and all of us to understand, he said.
- A survey of available sites, which must be updated in the next Housing Element. All Committee members were very interested in this, he said, but they just didn't have enough time.

Even though a lot of people are ready to see the Committee end, Mr. Eisberg suggested consideration of an extension for a period of time to address these and maybe some other topics. He also echoed the appreciation expressed for the support of Mr. Pegueros and Ms. Kristiansson, as well as "our taskmaster, Steve Toben." He said he left the first two meetings with a headache, but Mr. Toben offered us the



flexibility to amend the agendas in the future and we were able to put it on track, and that was very important.

Karol Bondy, Saddleback Drive, asked how many affordable housing units were required to meet the goal. Mayor Richards said the Town's allocation for the 2014-2022 planning cycle is 64 units.

Bob Bondy, Saddleback Drive, said that some people might interpret what the Committee characterizes as a "reasonable solution" as having Menlo Park, East Palo Alto, Redwood City, or somewhere else providing affordable housing. He said he's been an advocate for keeping first responders close to home and mentioned a long time ago about offering units to firefighters because you want to have them close to an emergency. He said in an emergency, he'd also be uncomfortable about Public Works Director Howard Young living in Hayward. On the other side of the coin, Mr. Bondy added, we have neighbors around us who call themselves Portola Valley, who used to be Menlo Park, who benefited from our stewardship and big government and planning, and their property values went up. Webb Ranch, for one, considers itself Portola Valley. "Look at all the mailboxes in the driveway," he said. "Why wouldn't or couldn't those being considered?" He also asked where the Town currently stands in terms of meeting its goal of 64 units of affordable housing,

Ms. Kristiansson explained that it's a moving target, but based on projections she's seen, she thinks we will fall a little bit short but not enough to result in any penalties. The shortfall is due in part to the fact that the Priory's project, which would have added 11 units, has been delayed, and in part because second-unit numbers are a bit lower than anticipated.

Mr. Bondy asked whether any action is underway to mitigate the contamination found at the 900 Portola Road property that the Town had planned to purchase, or whether it would simply sit there and leach into the next door neighbor's yards. Mayor Richards said he understand that the owners are dealing with that with the County Health Department.

Bernie Bayuk, Paloma Road, said that 50 years ago Portola Valley was faced with a threat of about 500 houses on the mountain that defined Portola Valley. The residents didn't just relax and accept that this had to be. They were proactive. The Town has benefited from the slow density formulas for incorporation. With 60 or more houses laid on the Town every eight years now, over 50 years that's 360 houses mandated. That's not Portola Valley, he said. High density does not belong in Portola Valley. We need to put some energy into countering what we're calling mandates. We talk about those who work in the Town should be housed in the Town. It's a fantasy, he said. We're not a company town. Nobody lives where they work. Look at rush hour. If 50 years from now we want Portola Valley still open space and rural, we've got to convince those who do the mandates that towns are different, he said. Each town has a character and we need to show that to maintain our rural character, we've got to have recognized changes in these so-called mandates. For 50 years we've lived with an unwritten one house-one acre.

Mr. Bayuk asked the Council to consider some volunteers, as with the Ad Hoc Affordable Housing Committee, to create some actions we could take, maybe jointly with Atherton, to convince the state that exceptions and recognition has to be taken of these unique towns. We won't be unique in 50 years if we have to live with these mandates.

Ed Wells, Naranja Way, complimented Mr. Toben for the way he "can herd cats and write what is a very good Wikipedia" of things that bother us about affordable housing. Mr. Wells, who has supported second units for many years, recalled talking about them 10 or more years ago in connection with the Nathhorst Element. Second units are a good vehicle, he said, but some downsides have not been popular. Number one, the way in which you get the second unit is that you agree to the Town's right to give you rules. We have no particular rules relating to the type of ordinance that creates second units. We don't know; the Town has never published the rules in the 30 years since he got my second unit, he said. It's a two-page document which begs him to believe that the Town has the power to enforce rent control on people who have second units. Playing that out just a little bit more, he said, you can see that when we're fabricating the Housing Element, we're fabricating that the second unit – 750 or 1,500 square feet, whatever you

want to call it – that creates a unit of affordable housing for someone who doesn't live here. The people who need affordable housing are not here and there are ways in which we can create affordable housing here. He said he has four of them in working process with papers to submit when the Town wants to get down to nuts and bolts.

Mr. Wells said that toward the end of the Ad Hoc Affordable Housing Committee's "very nice piece of work" is a plan to take money from the in-lieu fund. If you go back to the 1990 ordinance, Mr. Wells said, it is very specific about being intended only to create affordable housing units. He noted that money sat in that fund for 10 years and didn't move a penny. Now the Blue Oaks money is being eroded. He cautioned the Council to be very careful about this "cookie jar," because people will have their hands in it. Anybody who mentions affordable housing will feel they have a right to be paid out of that in lieu fund.

Mr. Wells said that he'd be glad to meet with finance staff on ways the Town can expedite, encourage and create affordable housing here in Portola Valley as an investment, and get your money back quickly so that you can keep using it to promote more affordable housing. We have models we can show you on how to do that. He said he knows the next step is to go back to the 2009 General Plan Housing Element, where you say you're going to hold a study session on second units, and that will give you a chance to understand what the mechanics of it are, what maybe the Town could put in writing that it would agree to give us, and then with that much behind us, we also ought to be thinking about when do we bring nuts and bolts ideas to either the Planning Commission or the Council and get in some real sharp-pencil discussions on it. In closing, said, "Thank you very much for all your hard work."

Ms. Bacon also thanked the Committee. "I know this is tough work trying to get something together and I really appreciate your work," she said. According to Ms. Bacon, the term "second units" is a misnomer. If we look at Town policies, land use and building and all, there isn't really a requirement for second units in and of itself. Actually a second unit is a form of an ancillary structure related to the development of a parcel. An ancillary structure might be a second unit, garage, art studio, bar or something else. It can be many different things. The Town's 85% Rule expects a house to comprise 85% of the floor area ratio allocated to a parcel, with the remaining 15% allocated to ancillary structures.

Ms. Bacon said she hopes the Town will take a hard look at all of this when it does the Housing Element, because she'd like to get rid of the 85% Rule and look at the development potential of a property as a whole. She'd like to see it more as an overview that allows a certain amount of square footage. She'd also favor eliminating the basement rule, which excludes counting square footage basements. Over the last five years or so, she said that homes in Portola Valley are getting larger and larger, and one of the reasons is basements – which she knows, as a realtor, that buyers count even if the Town doesn't.

She said she'd rather see the Housing Element address developmental potential for a parcel, whatever that is, so that homeowners really understand what they can and cannot do. She mentioned a house that was recently approved in her neighborhood, with floor area technically at 5,200 or 5,300 square feet, but with the basement, that house would have more than 8,000 square feet of living space. "That just doesn't compute," Ms. Bacon said. She said that if a floor area exceeds a certain number, part of that should be allocated in some fashion for affordable housing.

Ms. Bacon said that larger homes also create traffic, and unlike Mr. Bayuk, she believes the Town has an obligation to provide more housing for people who work in the Town. As a community, we are an employer of people, she said, and an extra large house requires more support services, more maintenance. Maybe some of the people who provide those services could live in the house. That could be an affordable housing unit.

We've got to control traffic, too, Ms. Bacon stated. Unlike Los Altos Hills and Woodside, Portola Valley doesn't have a Park 'n' Ride by I-280. How do we get the parents to do more carpooling? Perhaps we could work with Stanford regarding the Marguerites, or with The Sequoias and the Priory about using some of their facilities to combine trips so we can eliminate some of the traffic.

Ms. Bacon also asked where Planned Unit Developments (PUDs) enter the affordable housing picture. She noted that only 25% of Portola Valley Ranch's 205 acres belong to homeowners, 75% is open space. "Can we still afford that?" she asked. "How do people in Portola Valley Ranch feel about allocating some of that 75% of the 205 acres?"

In closing, Ms. Bacon said we must find ways to address these problems with the next Housing Element.

Phil Vincent, Portola Road, said he wanted to go back before square one. He cited an item from the *Palo Alto Post* that speaks of a committee of people from Menlo Park, Palo Alto, Atherton and Los Altos Hills commenting on state affordable housing requirements. Even before getting into the issue of whether we respond to state mandate, he asked where these mandates come from. Maybe they could be changed, he said. Projections that we're going to have two million more people in the Bay Area over the next 20 or 30 years also can be questioned very easily, he said.

In terms of Inclusionary Housing, Mr. Vincent said he views Blue Oaks as a predictable fiasco. We, the people of Portola Valley, got the money out of it, but the whole idea that it would be accepted to have low-income housing there is an example of the great difficulty of enforcing the idea of inclusionary housing. In fact, he said he wondered what other developments we'd have in this Town where that could even come up. In terms of the so-called Unaffiliated Multi-Family Housing, he said we've been through that debate, which led to a referendum on the Nathhorst issue, and he thinks it would just create more divisiveness.

Mr. Vincent said he's not unsympathetic with this issue of housing in our larger regions. I think it's an interesting issue, certainly to me not only emotionally or politically, but intellectually, but it's what we do to address the issue. But, he added, he certainly has great sympathy with arguments that have been made that this is not necessarily the community for that, for a variety of reasons, and we do not have to accept some kind of state mandate as written in stone.

Ms. Bondy said she live in the Ranch and believes that some covenants, conditions and restrictions (CC&Rs) would have to be amended to accommodate affordable housing, and there's a very strong sense of community in the Ranch based upon the concept of open space, of which we are all very respectful and mindful of, surrounding ourselves with wildlife. She said the Ranch is a model community for many places around the United States, winning awards for preserving nature, trees, wildlife, all those things that make Portola Valley Ranch unique. That's one aspect in defense of leaving the Ranch, which most of us have small acreage to start with. It's not huge.

Ms. Bondy made a second point. She said she hadn't read the Committee's report, but she pointed out that the infrastructure in other communities such as Mountain View and Palo Alto that helps get people to work. That's why she believes there is so much growth and development in Mountain View along the railroad tracks, she said, so people can take mass transit to get to work. Portola Valley has no bus system and no commuter parking lots; it's "just simply not set up for that kind of environment." She asked whether the Committee's report addressed the issue of an environmental impact study on the infrastructure that exists in Portola Valley.

Monika Cheney, Goya Road, wanted to hear the Council's reaction to the list of recommendations the Committee put forth, considering they spent so much time and put so much effort into it. She asked about the Council's impressions, whether they have any concerns with the priorities or any other comments.

Mayor Richards closed the public hearing and took the matter back to the Council for discussion.

Councilmember Derwin said there was a lot of discussion about the articles in the *Post* about Rich Gordon's Housing Element Committee, of which she said she's a member. She said Assemblymember Gordon brought in representatives from every city in his District, which spans both San Mateo and Santa Clara Counties. He brought them together because he was getting a lot of pushback, mostly from Santa Clara, on RHNA numbers. Not so much from San Mateo County, she said, because we do it differently

here. She said that in San Mateo County, we sit down together at a table and figure out our RHNA numbers, noting that Vice Mayor Wengert is part of that process.

As Councilmember Derwin explained, Portola Valley's RHNA number is 64 and our population is 4,448. She said Brisbane, which is more on the transit spine, has 4,379 people, and its RHNA number is 83 instead of 64. She said Daly City's number is 1,350. Redwood City's number is 2,789. San Mateo's number is 3,100. Woodside is 62, and the only reason it's that low is due to an arrangement with Redwood City for housing for some housing at Cañada College.

She said the communities together and came up with numbers that worked for all of them, recognizing that Portola Valley is in the hills and doesn't have the infrastructure and the transportation that, say, San Carlos has.

In Santa Clara County, Councilmember Derwin said, the cities don't work together that way and as a result, a lot of them are very unhappy. She said they went to the ABAG Appeals Board in an effort to get their numbers changed. She said Mr. Gordon brought everybody together to talk about it and the consensus was that it's not working. She said it's not working because we're not even building that much affordable housing. She said the group would meet again in July and hear from the former state Housing and Community Development (HCD) Director, who apparently feels the system is broken. She said if Mr. Gordon can come up with a legislative fix, he will work on a bill this fall and he will introduce it in January 2014.

Councilmember Derwin also said the big guiding document for the nine-county Bay Area Region is Plan Bay Area. She said they recognize areas such as Portola Valley as important for open-space conservation, which is why our RHNA numbers are going down while they're going up in all the cities are along the transit corridor. She said she knows that people don't see it and are frustrated, but it is happening.

Councilmember Driscoll thanked all the members of the Committee for all the hard work and time spent on this very professional document. He thanked Mr. Toben for coordinating things. He said it was a great set of priorities and he was impressed.

Councilmember Aalfs thanked Mr. Toben and Committee members for the difficult task and said he appreciated all the effort they put into it. He said he looks at their work as a first round of what we need to think about when we start the Housing Element preparation upcoming for 2014. He said it's a good start, and he hopes we can follow it closely. It doesn't address everything set upon us by RHNA and the state, but it's a great statement of community values and where people stand. He said he is looking forward to more discussion.

Vice Mayor Wengert said the Committee rocked. She said the task was so complex, difficult, emotional and personal that she has a huge appreciation for the Committee's work. She knows that Mr. Toben was a central part of the success of allowing the Committee to morph. She said it's a great testament to the entire Committee that they were able to come together and come up with a very cogent and coherent document. She said for the Council it has been a difficult, long process and they are at the beginning. She says now they have a roadmap that will help the Council move forward in the two or three prongs. She said one of the first prongs they will be focusing on is the Housing Element, which is at the heart of all of this. As Councilmember Derwin had said, it's evolutionary and we are participating regionally, as vocal participants in what's been happening all along. She said the input they are getting, with this being the first start, in addition to the postcards, the website – it will be an open and very robust process, whatever ultimate goals they set for themselves in terms of priorities.

She said this is a terrific start and the Council obviously will look at the Committee's report further and analyzing it more. She said "there's a ton in here, and you guys did a yeoman's job." She said was quite stunned that there were actually additional meetings and the subcommittees had come up with a structure involving even more numbers of people in the community and creating a whole secondary

schedule of meetings. She said that is an incredible sign of the community involvement and obviously the leadership of all the people involved, with their whole variety of backgrounds and opinions. She said if there's anything she took away from this exercise, it's that the communication part of any project or anything the Council does going forward is going to be at the top of their list.

Mayor Richards said the Committee's task was daunting from the beginning and the Committee did a fantastic job. He said the theme heard tonight is that clearly there is a lot more to be done. As the process evolves, he said part of it will go to the Planning Commission, which is working on the Housing Element. He said they certainly expect more public input all the way along.

He said he hopes that one of the main takeaways from this meeting tonight is that this group has been dedicated all along to keeping the Portola Valley of 50 years ago alive and protecting it. That's been their focus. As Councilmember Derwin had pointed out, Mayor Richards said, a lot of things go on outside of our direct view and Councilmember Derwin has put in an incredible amount of time regionally. He said Vice Mayor Wengert also has done a lot of work on the RHNA issues. He said it unfortunately may look like things are happening that aren't being shared, and he apologized if it looks that way, but it's never intentionally done that way. He said they will certainly try their utmost to make everyone aware of what's going on as this moves forward.

Councilmember Derwin said a comment at the Rich Gordon Housing Element Committee meeting was made by the Palo Alto mayor, who said it would be great if this was a bottom-up process, if the citizens got together and talked about what they see, what they would define as affordable housing within their own communities. She was able to say that's happening right now. She received an email today from Jeremy Dennis, the District Director for Rich Gordon, expressing how impressed he is with the work our Ad Hoc Affordable Housing Committee has done.

Mayor Richards asked the Council to ask the Town Planner to take the Committee's report as a starting point for the next Housing Element. Councilmember Derwin asked about extending the outreach by bringing the report to a wider segment of the community. Mayor Richards pointed out that would happen through the Planning Commission process and the ASCC process. Vice Mayor Wengert said that staff also is continuing to synthesize comments as they come in.

Councilmember Driscoll asked whether a PUD could be altered without the owners in the PUD approving a modification. Ms. Kristiansson/Prince said she didn't know exactly without reading the regulations, but she thought it was a process and not something they could just do.

Resident, Sue Crane, who was on the Council in 1990, when the first Housing Element was written, and it has such a different feeling now. She said it's enthralling for her to see the breadth that has come to us to look at this in a very different way that we did in 1990. She said they hadn't reached out to the community; everyone was fighting for their lives, and it was pretty scary. She said all these years have passed and tonight was a delight. She said it feels as though we're really making progress and it's not as personal as only "not in my backyard." She said she has a very good feeling about our community and how we're going to handle it.

Mayor Richards called a recess.

(5) Presentation by Town Manager: Review Proposed 2013-14 Budget and Set Public Hearing  
[9:26 p.m.]

Mr. Pegueros noted that the proposed FY 2013-14 budget would cover the start the transition to more in-house Planning Department work, with the addition of Karen Kristiansson as Deputy Town Planner beginning July 1, 2013. Current Town Planner Tom Vlastic expects to retire in December 2014. Mr. Pegueros also pointed out that the proposed budget:

- Incorporates a robust capital improvement and special projects programs

- Results in an operating surplus of approximately \$53,000, while maintaining service levels with no significant change in employee compensation

Mr. Pegueros said one of the biggest indicators of an organization's financial health is the status of its fund balance. The Town shows a significant jump from the FY 2011-12 to the estimate for FY 2012-13 and it's projected to stay about the same for next year as part of the proposed budget. The "unassigned" bar on the chart is \$2.5 million, the amount the Council has at its discretion. The "assigned" bar, totaling \$600,000 is for five specific funds. He said the two largest in the assigned funds is about \$377,000, a set-aside the Town made several years ago for open-space acquisition, and the legal contingency of \$100,000.

He noted a slight increase in the assigned from 2012-13 and 2013-14, due to the creation of the pension contingency reserve. He reminded the Council that when the Town paid the pension reserve side fund, it drew approximately \$319,000 from the unassigned portion. This is kept aside in case of a shock in our pension rates.

In General Fund revenues, property tax is the largest. Property taxes were slightly higher in the current year due to the repayment of Proposition 1A loan the state had taken from local governments three years ago. We are expecting the money on June 30, 2013. For next year, we need to pay special attention to the revenue from property tax, as we are looking at a 3% increase, based on the Assessor's projections. Mr. Pegueros said the County recently put out a press release announcing that we should prepare for the loss of excess Educational Revenue Augmentation Fund (ERAF) money – from property taxes taken from public agencies to help fulfill the State's obligation to schools). Every year the County Assessor skims off what is required according to the state's formulas for ERAF, and then makes it distribution. San Mateo County happens to be one of the few Counties where the money for schools is less than what is actually pulled from the budget to comply. So each year the County Controller does a rolling three-year calculation of that excess ERAF. It's technically an income tax refund. The County has put all cities in the County on notice that due to recent changes in how the ERAF pot is distributed, we can expect to lose approximately \$37,000 of excess ERAF. Mr. Pegueros said no substantive data has been provided that would allow us to actually forecast when that would factor into our stream; in the past two weeks we've been told both that it may and may not have a significant impact on next year's revenues. Those factors are included in the proposed budget. It is anticipated the ERAF will be eliminated gradually and not in one lump sum in FY 2014-15.

The Permits and User Fees were increased by CPI 2.4% and on the revenue side, because we are transitioning more review and project management in-house, there is an assumption that \$40,000 of in-house planning staff charge-backs. So rather than a project being billed through to Spangler & Associates, there would be work done by in-house staff and their time would be charged to the applicant.

On the Expenditures side, in general, the numbers, while increasing over the timeframe, are relatively steady.

As Mr. Pegueros explained, the Town's personnel costs encompass salary, pension and insurance. The number with the greatest variability tends to be salaries because it is based on actual staffing and there have been transitions over the last four years. In general, personnel costs are increasing. The proposed budget includes an increase in the salaries budget of \$58,000, approximately 5%. The bulk of that is due to filling vacancies. Upgrading the position of Planning Manager to Deputy Town Planner resulted in an incremental cost increase, he said, but it's clearly offset by some of the revenues that are anticipated. There is a general allowance for merit salary increases of \$25,000 for staff.

The pension number for FY 2013-14 is substantially unchanged from last year, Mr. Pegueros said. With implementation of a mandated two-tiered pension system, new hires receive a benefit of 2% at 62; the Town and the employee each pay 6.25% for that benefit. In contrast, for employees on board prior to January 2013, the Town pays both employer and employee contribution for a total of 17.28% of base pay.

We're seeing significant future increases in pension costs for all of our employees, Mr. Pegueros continued, but more significantly these numbers reflect costs for our classic employees. CalPERS has announced its intention to change several of its assumptions, such as life expectancy, mortality and investment return, and those changes – which haven't yet been articulated – are expected to increase our pension costs 2% to 4% of payroll. This is on top of the 17%. PERS is also planning to implement a new funding model in FY 2015-16 that would require all of its members to have fully-funded pensions, with 100% of the assets necessary to pay the obligations. That is expected to increase PERS costs an additional 4% and 5%. We expect these funding requirements to be implemented over a four-year period, so by 2020, he said, we will be paying considerably more.

CalPERS, for the first time, has provided a valuation of our unfunded pension liability, Mr. Pegueros said. Prior to this year we have been part of a pool. When we went into the pool, we lost our individual assets and liabilities. The changes have required CalPERS to break out the liability by individual members, so that individual organizations can figure out what they're on the hook for. The most recent valuation available is as of June 30, 2011. Based on that valuation, the Town has an unfunded pension liability of a little more than \$1 million, which means that we're 75% funded. The goal of the new funding policy's estimate of 2% to 5% of payroll is to bring the funding ratio up to 100%.

Some of the good news is that the Town wisely began the Pension Contingency Reserve last year and at the end of this budget year we'll have \$100,000. Mr. Pegueros said that may seem like a drop in the bucket, but it's more than most agencies have set aside for their pension obligations. The Finance Committee had recommended that the Council consider designating \$1 million of our fund balance to pension liability. At some point, if PERS and its projections are correct, our designated fund balance for pension liabilities would go to zero, because their goal is to bring us to 100% funded. So the \$1.055 should go down to zero at some point in the future, probably not for 10 to 15 years, but any designated monies would decrease assuming their models are correct.

The proposed budget includes a 10.7% hike for medical/dental/vision insurance costs, which may be low, but we won't know the actual premium adjustments until July 2013, after which Mr. Pegueros said he'd come back to the Council to discuss this in more detail. To implement all of the mandates in the Affordable Care Act, there will be an immediate 6% increase in January 2014. Some media reports project increases as high as 25% next year.

Of particular concern, Mr. Pegueros said, is the imposition of an excise tax for Cadillac plans, which are plans valued over a certain dollar amount. At the rate that premiums are increasing, he said by the time we get to 2018, he has reason to believe that the plans the Town offers its employees will be considered Cadillac plans. The excise tax is 40%. Whether CalPERS is successful in developing options that aren't considered Cadillac plans remains to be seen, but it's something we need to be aware about.

Also on the Expenditures side, Mr. Pegueros noted that Town Center costs are increasing significantly from prior year and current year, as are Services and Supplies. Starting with FY 2013-14, the budget recommends \$3,000 to provide the Public Works Director with an auto allowance, intended to compensate the employee for use of his or her own vehicle as opposed to the Town purchasing and maintaining a vehicle for that employee's use. Currently the Town Manager and the Building Official are the only employees who receive an auto allowance and, in exchange, we are not entitled to mileage reimbursement. All other employees are provided mileage reimbursement, provided they submit their mileage reimbursement requests.

The biggest structural change in the budget is the retirement of Skip Struthers and what we're going to do with the workload that he was assigned. Approximately 60 to 80% of Mr. Struthers' workload was janitorial at the Town Center. That drew from the resources available for trail maintenance, etc. Mr. Pegueros recommended the Council consider outsourcing janitorial service, because the need for those services at the Town Center increases almost every other month, with growing use of the facilities and the associated frequency of cleaning and restocking supplies. He also noted that outsourcing janitorial services would help us better monitor the costs involved in maintaining Town Hall, the Library and the

Community Hall. Another benefit of this approach, Mr. Pegueros said, would be the ability to have the Library pay for its costs of janitorial service out of donor city funds, so while the budget would increase \$50,000 for janitorial, \$16,000 of it would be recaptured.

Mr. Pegueros reported “some really good news,” a savings of \$20,000 in Workers’ Comp insurance thanks to Ms. Nerdahl for staying on top of it. As he told the Council earlier this year, he explained, we received some surprising information from our carrier that we didn’t have insurance because they didn’t send us a bill. There was no lapse in coverage, but there were a series of customer service issues. Coupled with significant rate increases, that gave us the motivation to shop the market for rates. Because we were asking questions and because the prospective insurer was asking for information, we were surprised by a gift of a 50% reduction in premiums from our current provider. That clearly could change, it could be a one-time carrot to keep us from leaving, but that is a savings of \$20,000, he said.

Unfortunately, our Workers’ Comp insurance is only half of the story, he said. Our liability insurance is increasing 30%, or \$10,000. The issue there is slightly different. We’re a member of the ABAG Risk Pool (the so-called ABAG Plan), which is a group of about 22 public agencies around the Bay Area. The plan has enjoyed very healthy reserves over the last several years, he said, but as a consequence of two claims, the reserves are now being held in reserve for claim. And the unrestricted reserves for future claims is \$7 million, which below the minimum threshold that the board had adopted. One accident where someone is physically injured requires putting \$5 million in reserve. Almost every agency in the pool is experiencing a 30% increase to rebuild reserves.

There is a planned \$40,000 reduction in the Town Planner’s services related to special projects. Ms. Kristiansson brings to us a wealth of knowledge and the ability to do projects that would normally be farmed out. We don’t quite know what will be in store for us, he told the Council, but they well know that Ms. Kristiansson is our expert on the Housing Element, and rather than having a consultant to do that project next year, she would potentially carry the ball for that.

The proposed budget also includes \$35,000 to investigate water-efficiency improvements. A number of ideas are on the table, and we’ve sent soil samples to a lab to find an optimal mixture of compost we can use to replace the fertilizers we use. Mr. Young is also looking at reusing the cistern being used for storage, as well as the possibility of providing well water to irrigate Town fields. He said if we were to do something significant involving the cistern or wells, we would need a significant amount of money.

Councilmember Driscoll noted that with the Town expecting to spend \$66,000 on water this year, the \$35,000 toward more efficient water use makes him suspect we may well get some of that back in lower water bills.

Mr. Pegueros said the proposed budget also contains \$13,500 to upgrade the website content management system, the standard \$30,000 contingency for unanticipated expenses and \$14,000 for the November 2013 election.

On the Capital Improvements side, he said:

- Our street surfacing program is healthy. About half of those funds, or \$225,000, are federal funds – from the OneBayArea Grant (OBAG) Program – and to be eligible for those funds, the Town must have a certified Housing Element.
- Ford Field renovation is underway, while we’ll get about 25% of the project done this year, the bulk of it will be done in FY 2013-14.
- Some Crowder (C-1) Trail improvements had been planned for in this year’s budget, with Stanford paying \$100,000, but that project was deferred so it’s moved to next year.
- Federal reimbursement is expected for the \$300,000 in storm damage repairs to Alpine Road.



- The Library has requested \$35,000 in lighting improvements, which would come from donor city funds.
- An old truck will be replaced.
- The AM emergency radio station project will be completed.

The public hearing will be scheduled for the June 26, 2013 Town Council meeting, when the Council also will consider approval of the budget. Mr. Pegueros said he anticipates getting back to the Council on July 24, 2013, to talk about health-care premiums.

Vice Mayor Wengert questioned including proceeds from the sale of Blue Oaks lots under "Service Charges" in the FY 2013-14 Total Revenues Budget Summary (page 4). Mr. Pegueros said he didn't have the opportunity to do it this year, but changing several things about which accounts are charged and credited for various items would be a priority for him in the coming fiscal year. He said the Blue Oaks proceeds come under Miscellaneous Service Charges (page 13). For the current year, he noted, the Miscellaneous category also includes the \$75,000 settlement related to the Redberry Ridge tree clearing.

Noting the decrease in the Town Publications budget (Services & Supplies) from \$14,600 for FY 2012-13 to \$2,800 for FY 2013-14, Councilmember Derwin asked whether we are officially moving from a printed newsletter to postcards. Mr. Pegueros said the newsletter has been expensive, and rather than hire an outside editor as provided for in the budget, the recommendation is to move away from the biannual newsletter to more frequent posts. He said a proposal on how that would work will be prepared in July 2013 for Council feedback.

Councilmember Derwin also inquired about \$90,000 in the Capital Budget for Springdown Improvements Phase 1.

Vice Mayor Wengert noted that a 50% increase of employer contributions to CalPERS that would be phased in over a four-year period beginning in July 2016 warrants looking carefully at alternatives, because that would be unsustainable. In terms of managing this issue, Mr. Pegueros said that although people have become somewhat desensitized to the problem because PERS forecasts have changed so much over the last decade, some communities are beginning to look at alternatives. There are alternatives, he noted, but they aren't inexpensive. He said that he suspects that Portola Valley is one of the last cities in San Mateo County that pays 100% of the PERS costs; in Woodside is shifting 2% of PERS costs to employees beginning July 1, 2013, as is Atherton and Los Altos Hills.

Councilmember Driscoll complimented Mr. Pegueros. He found that in reading this budget, we were doing all the right things, and it was explained well. He said it actually continued a process that his predecessor (retired Town Manager Angela Howard) also had done very well. Councilmember Derwin said she liked the graphs.

(6) Recommendation by Town Manager: Not-for-Profit Agency Funding Requests [10:16 p.m.]

Mr. Pegueros recommended that the Town not exceed the FY 2013-14 budget allocation of \$10,000 for nonprofits. Last year, the Town gave \$11,000 to nonprofits, with the extra \$1,000 to fill a last-minute request from HIP Housing.

Requests for the next fiscal year totaled \$14,135, he said. The largest award requested for FY 2013-14 is for the San Francisquito Watershed Project (\$5,200 – the same as it received this year), which would provide for a partnership with Acterra to maintain our creeks. Even acknowledging the Town's relationship with Acterra, Vice Mayor Wengert said that she might shave that amount because it's so much larger than any of the others. Mr. Pegueros noted that the Town does not pay into the Joint Powers Authority (JPA) from which the San Francisquito Watershed Project draws the majority of its funding.

Councilmember Driscoll asked whether Jobs for Youth Workforce Development, which requested \$570 for FY 2013-14, had been a recipient in the past. Mr. Pegueros said no, but the organization's activities do have some benefit for Portola Valley residents. Councilmember Driscoll said that the Peninsula Conflict Resolution Center (PCRC), which requested \$1,365 for FY 2013-14 and received \$1,300 this year, has also benefited the Town on occasion.

Vice Mayor Wengert suggested splitting \$5,700 between Sustainable San Mateo County, which received \$3,000 this year and requested \$4,000 next year) and the San Francisquito Watershed Project – maybe \$3,000 to the latter and \$2,700 to Sustainable San Mateo County. She also suggested \$1,300 for PCRC for FY 2013-14, \$500 for Joint Venture Silicon Valley (the same as FY 2012-2013) and \$2,500 for HIP Housing (\$1,500 more than in FY 2012-13).

Other Councilmembers concurred.

Vice Mayor Wengert moved to provide a total of \$10,000 in not-for-profit agency funding for FY 2013-14, distributed as follows:

San Francisquito Watershed Project	\$ 3,000
Sustainable San Mateo County	2,700
Peninsula Conflict Resolution Center	1,300
Joint Venture Silicon Valley	500
HIP Housing	\$ 2,500

Seconded by Councilmember Aalfs, the motion carried 5-0.

Thanking the Council for the Town's support, Laura Fanucchi of HIP Housing, said that over the past year the organization has seen about an 18% increase in the number of clients who are applying for their Home Sharing Program. On June 1, 2013, she received an AARP bulletin with an article called "Home Sweet Home" that was all about home sharing, especially for women aged 50 and up. More than 4 million such women in the U.S. share housing, she said. If there is any way HIP Housing can assist, she offered the organization's assistance in the Town's affordable-housing initiatives, and indicated that some of their clients may be interested in secondary units in Portola Valley, particularly if they can have discounted rent in exchange for providing some services.

(7) Report from Town Manager: FY 2013-14 Appropriations Limit Calculation [10:28 p.m.]

One of the final aspects of the budget preparation process, Mr. Pegueros continued, is calculating the appropriations limit for the upcoming fiscal year. Appropriations limit legislation, which dates back to 1978, was amended in 1998, he explained, through two different propositions. Consequently, revenues an entity can collect are limited by two factors – changes in inflation and population – primarily to ensure that governments don't continually increase taxes and expenditures unchecked.

This is a particularly relevant issue to Portola Valley due to our Utility User's Tax (UUT), Mr. Pegueros said. He explained that calculations historically suggested that the Town's revenues in any one year would exceed the appropriations limit, so the Town had to ask the voters for an override. The currently authorized override ends June 3, 2014.

He said that he and Administrative Services Manager Stacie Nerdahl made every effort to understand how all the pieces fit together. In this review, Mr. Pegueros said, they found that the Town had included revenues it should not have, which his staff report of June 12, 2013, addresses, in three major categories:

1. According to Article XIIB the California Constitution, exclusions should be made to revenues – in essence, deductions – for taxes that are not subject to the limit. For Portola Valley, this is important with respect to proceeds of revenues collected for the UUT for open space. Historically, he said the Town hasn't recorded that revenue as proceeds from tax that's subject to the

appropriations limit, but that revenue is clearly for the acquisition or improvement of land for the preservation of open space. Those are capital expenses, and per Article XIIB, capital expenses are not subject to the appropriations limit. Accordingly, a total of \$245,000 of revenue was inaccurately included in that limit in prior years, which was easy to miss because we didn't do anything with that money; we just accrued it for future use. However, there's a provision that monies put into a capital reserve are excluded from the appropriations limit as well. That's one big adjustment, he said.

2. Measure A funds, which the Town receives for roadway capital improvements, have been overstated by \$230,000.
3. Another \$111,000 in revenues from restricted taxes and grants should have been excluded from the appropriations limit, including a public safety sales tax of \$11,000 and a Citizens Options for Public Safety/Supplemental Law Enforcement Services Account (COPS/SLESA) grant of \$100,000.

Mr. Pegueros said the California Constitution also allows for the exemption of federal mandates from the appropriations limit – Social Security, Medicare, unemployment insurance, the Affordable Care Act and some other items – which the Town also erroneously included in revenues subject to the limit.

In short, Mr. Pegueros said, the total overstatement of revenues amounts to about \$587,000, so the Town is actually under the appropriations limit. Furthermore, projections suggest that we'll remain under the limit, reaching \$378,000 under in FY 2018-19. While the Town has required voter approval of an appropriations limit override in the past because projections exceeded the limit, such an override is not necessary beginning as early as FY 2013-14.

In response to Councilmember Derwin, he explained that in 2009, voters approved three measures, two of which were related to the appropriations limit and one was to extend the temporary reduction of the UUT from 5.5% to 4.5%. After the UUT was originally enacted in 1992, Ms. Prince added, voters were asked to reduce it once from 6.5% to 5.5%, where it remained until 2006, when the voters were asked to drop it to 4.5% for four years.

#### COUNCIL, STAFF, COMMITTEE REPORTS AND RECOMMENDATIONS

##### (8) Reports from Commission and Committee Liaisons [10:40 p.m.]

Vice Mayor Wengert:

##### (a) Bicycle, Pedestrian & Traffic Safety (BP&TS) Committee

Committee members spent considerable time reviewing the Sheriff's Reports for March and April 2013 at their June 5, 2013 meeting, and also discussed:

- The bike lane study, with a possible presentation to the Council in August 2013
- Signage to discourage parking on Portola Road around Windy Hill
- A possible recommendation to Town Council to study traffic control measures in the Corte Madera neighborhood, with study funding available from Safe Routes to Schools
- Moving the crosswalk at Alpine Hills for improved safety and visibility

(b) SFO Airport/Community Roundtable

The Roundtable met on June 5, 2013, and Vice Chair Wengert reported that Chair Jeff Gee (Redwood City Councilmember) continues to do a great job. She also said that Tina Nguyen, who lives on Alhambra Court, and Jim Lyons of Woodside are spearheading a regional citizens' action group to try to make the Federal Aviation Administration (FAA) more responsive. Ms. Nguyen showed Roundtable members a document indicating how many flights that came in under 8,000 feet over a 24-hour period.

(c) Trails and Paths Committee

At the June 11, 2013 Trails and Paths Committee meeting, members discussed:

- The Committee's June 22 Community Hike, a 4.5-mile outing that will begin at Portola Vineyards on Los Trancos Road
- Scoring driveways; Committee Member Joe Coleman volunteered to reach out to individual homeowners to encourage them to score their driveways to improve safety for horses.
- Removing some eucalyptus trees on Portola Road; ASCC Chair Danna Breen and Conservation Committee Chair Judith Murphy favored removal, but Trails and Paths Committee Vice Chair Susan Gold didn't think it was a good idea, nor did former Committee Chair Lynne Davis. Ms. Breen later said she would prefer to leave the large ones for the trail. They plan a follow-up meeting to discuss some vegetative and screening clearing closer to Windy Hill to open up some spots.

Councilmember Derwin:

(d) San Mateo County Library Joint Powers Authority (JPA)

Meeting on June 3, 2013, the Library JPA Governing Board:

- Elected officers; Councilmember Derwin will be serving as Chair for one more year
- Adopted the budget of \$34.5 million
- Discussed new services, including:
  - High-speed broadband connectivity for heavier-use libraries starting in June 2013, the program eventually will be in all the libraries
  - Nook e-readers in all the libraries, with the pilot program at East Palo Alto and Millbrae
  - Wireless printing from customers' laptops

Councilmember Derwin also reported that San Mateo Supervisor Carole Groom's children's book club had six children graduating – and got their parents reading as well.

(e) City/County Association of Governments (C/CAG)

She attended a Resource Management and Climate Protection (RMCP) Committee Adaptation Workshop in Redwood Shores where they discussed a wide range of related topics, from wildfires to death from heatstroke.

(f) Architectural and Site Control Commission (ASCC)

Agenda items at the ASCC's June 10, 2013 meeting included:

- Continued review of a site development permit application for a home on Larguita Lane
- Modification to previous approval of a site development permit on Westridge Drive
- Architectural Review for house additions on Arapahoe Court
- A review for conformity with its Conditional Use Permit (CUP) X7D-13 for the Alpine Hills Swim & Tennis Club's plans for an upper tennis court terrace and arbor

David Ross said he'd be comfortable if this application stay with staff and not come before the ASCC because there's a threshold of 400 square feet. However, Planning Commissioner Nate McKitterick, who was in attendance, pointed out that although in an area such as Westridge it might not be a big deal, in small neighborhoods even additions smaller than 400 square feet might be appropriate for ASCC review because they can have a significant impact on those neighborhoods. Mr. Vlasic will develop a list of criteria.

Ms. Breen also reported that the tree restoration job Redberry Ridge is proceeding very well.

Mayor Richards:

(g) Nature and Science Committee

He attended the Committee-sponsored Flight Night event on May 31, 2013, and said it was quite well-attended, with eight to 10 planes flying at once.

WRITTEN COMMUNICATIONS [10:58 p.m.]

(9) Town Council May 31, 2013 Weekly Digest – None.

(10) Town Council June 7, 2013 Weekly Digest – None.

ADJOURN TO CLOSED SESSION [Removed from agenda]

(11) Public Employee Performance Evaluation:

Government Code Section 54957  
Title – Town Manager

ADJOURNMENT: 11:00 pm

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Mayor

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Town Clerk