

PORTOLA VALLEY TOWN COUNCIL REGULAR MEETING NO. 902, JANUARY 28, 2014

I CALL TO ORDER AND ROLL CALL

Mayor Aalfs called the Town Council's regular meeting to order at 7:30 p.m. and led the Pledge of Allegiance. Ms. Hanlon called the roll.

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

Absent: None

Others: Nick Pegueros, Town Manager
Leigh Prince, Town Attorney
Sharon Hanlon, Town Clerk
Stacie Nerdahl, Administrative Services Manager
Brandi de Garmeaux, Sustainability & Special Projects Manager

II ORAL COMMUNICATIONS – None

III CONSENT AGENDA [7:32 p.m.]

- (1) Approval of Minutes: Town Council Regular Meeting of January 14, 2015 [*pulled from Consent Agenda*]
- (2) Approval of Warrant List: January 28, 2015, in the amount of \$132,670.44
- (3) Appointment by Mayor: 2015 Commissions, Committees and Council Liaisons
- (4) Recommendation by Administrative Services Manager: Proposed Amendments to the Purchasing & Inventory Control Policy
- (5) Recommendation by Public Works Director: Acceptance of the Alpine Road Bank Protection Project in the Town of Portola Valley, CA #2012-PW03 Federal Project #PR ER-22X0 (001)
 - (a) Adoption of a Resolution of the Town Council of the Town of Portola Valley to accept the completed Alpine Road Bank Protection Project in the Town of Portola Valley, CA #2012-PW03 Federal Project #PR ER-22X0 (001) and authorizing final payment to "Engineered Soil Repairs, Inc." concerning such work and directing the Town Clerk to file a Notice of Completion (Resolution No. 2643-2015)

Councilmembers approved Items 2, 4 and 5 unanimously with a roll-call vote.

- (1) Approval of Minutes: Town Council Regular Meeting of January 14, 2015

Councilmember Richards moved to approve the minutes of the January 14, 2015 meeting, as amended. Seconded by Councilmember Hughes, the motion carried 4-0-1 (Wengert abstained).

- (3) Appointment by Mayor: 2015 Commissions, Committees and Council Liaisons

Mayor Aalfs reported the following updates: Councilmember Hughes is liaison to the Bike, Pedestrian & Traffic Safety Committee, with Councilmember Wengert the alternate. Mayor Aalfs is liaison to the ASCC for the April-June period. BPTS Committee member Kari Rust has resigned, but several other committees

have new members: Geologic Safety Committee, Carl Wentworth; Historic Resources Committee, Virginia Bacon and Rachael Myrow; and Nature & Science Committee, Michael Bray.

Considering that the BPTS Committee's loss of a member could detract from its ability to take on new activities, Councilmember Wengert said we should be recruiting. Mr. Pegueros said the Town would advertise the Committees that have vacancies in the *Almanac*.

Councilmember Wengert moved to approve the 2015 appointments of Commissioners, Committee members and Council Liaisons, as amended. Seconded by Councilmember Richards, the motion carried 5-0.

IV REGULAR AGENDA [7:37 p.m.]

(A) Presentations: None

(B) Committee Reports and Requests

(1) Recommendation by the Nature & Science Committee: Proposed revision to Committee Charter

Vice Mayor Derwin moved to approved the Nature & Science Committee's request to change its charter to reflect a meeting start time of 5:00 p.m. instead of 4:00 p.m. Seconded by Councilmember Hughes, the motion carried 5-0.

(2) Council Liaison Reports

- Councilmember Richards and Vice Mayor Derwin attended a Planning Commission public hearing on the Portola Road Corridor Plan.
- Vice Mayor Derwin attended the first meeting of the newly constituted *Water Conservation Committee* and a *Friends of the Library* meeting that focused on the planned installation of a children's activity wall.

(C) Public Hearing: None

(D) Staff Reports and Recommendations

(1) *Discussion and Council Action*: Request from resident Lorrie Duval that the Town purchase a second Automated External Defibrillators (AED) at Town Center

Ms. Duval thanked a number of people in Town and at the Woodside Fire Protection District (WFPD) for their help and support in preparing the background materials on AEDs that she, Lindsay Bowen and Rita Williams assembled for the Council packets. To demonstrate the use of an AED and answer questions, Ms. Duval also brought along a contingent from WFPD, including Firefighting Paramedic and CPR Coordinator Michael Lambert, and Public Education Officer/CERPP Coordinator Selena Brown.

In response to Councilmember Wengert, who asked about problems of mischief, vandalism and theft, the units can be equipped to automatically trigger alerts at WFPD and also can be equipped with loud external alarms and flashing lights when the door that secures the AED is opened. Councilmember Wengert also asked how after-hours people would know where the AED is located. In response, Ms. Duval said it should be in a central, visible and accessible place that is well-signed. In addition, Ms. Williams said that coaches, instructors, etc. would be informed about the AED location.

Councilmember Hughes suggested that we might also consider Ford Field for another AED location in the future. Mr. Pegueros pointed out that staff at Town Hall is trained to perform the maintenance that AEDs require every 30 days, so the location at Community Hall behind the kitchen is a reasonable but a third AED at Ford Field would be difficult to manage.

Councilmember Wengert, who said she favors the AED choice recommended by staff, said the second AED is a terrific proposal, even more effective with the educational efforts Ms. Williams mentioned. Vice Mayor Derwin, who also agreed with the AED option staff recommended as well as its proposed location, applauded the amount of work that went into preparing the proposal, and said this is something we have to do. Mayor Aalfs said that although he would have been open to another option for the equipment, he supports the option and location staff recommended. Councilmember Richards also favors the proposal, noting that Portola Valley has the oldest average age in San Mateo County. Councilmember Hughes concurred that it's a great idea.

Councilmember Wengert moved to approve the staff recommendation to implement Option 1 and acquire and install a new AED to be located outside the Community Hall kitchen. Seconded by Councilmember Hughes, the motion carried 5-0.

(2) *Recommendation by Sustainability & Special Projects Manager:* Adoption of a Resolution approving Beacon Award participation [8:14 p.m.]

(a) Adopt a Resolution of the Town Council of the Town of Portola Valley approving participation in the Institute for Local Government's Beacon Award: Local Leadership toward Solving Climate Change (Resolution No. 2644-2015)

Ms. de Garneau explained that the Beacon Award recognizes cities and counties for their efforts on saving energy, and that participating in the program would increase the Town's visibility within the region and statewide.

In response to Mayor Aalfs, she confirmed that Portola Valley already has completed much of the work necessary to apply. A significant portion of the data needed to participate was collected to prepare the Draft Climate Action Plan and Town's greenhouse gas emissions inventories, she said. In addition, the Regionally Integrated Climate Action Planning Suite (RICAPS) staff will help gather the remaining data required.

With few cities on the list of participants, Councilmember Wengert asked if there had been any pushback from other municipalities since the program began. Ms. de Garneau said there's been no pushback at all. Vice Mayor Derwin said the program started six months ago, and the holidays may have slowed the rate of adoption.

Councilmember Wengert asked if the Town would be eligible for a Platinum-level award based on what we achieved last year. Ms. de Garneau said we'd be Platinum for Government Operations and Best Practices categories, but probably not in the Community area. She noted that while we've done very well with electricity, we're challenged by natural gas, especially with cold winters.

Mayor Aalfs invited public comment. There was none.

Councilmember Wengert said it sounds like a great program, well thought out with rising participation levels. She said it will probably give us additional ammunition in pointing out to our community that we still have a long way to go, even though we've made significant inroads. Councilmember Richards agreed, underscoring the advantage of having an additional layer to point out the extent and duration of the effort we've been making. Vice Mayor Derwin said it's another way to measure progress toward a goal.

Vice Mayor Derwin moved to adopt the resolution approving participation in the Institute for Local Government's Recognition Program, The Beacon Award: Local Leadership toward Solving Climate Change. Seconded by Councilmember Richards, the motion carried 5-0.

- (3) *Recommendation by Administrative Services Manager:* Review and accept the Independently Audited Town of Portola Valley Basic Financial Statements and Memorandum of Internal Control for the Year Ended June 30, 2014 [8:20 p.m.]

Mayor Aalfs said the audit report is favorable due in large part to Ms. Nerdahl and her team's efforts in managing the Town's financial records.

Ms. Nerdahl presented the audit conducted by Maze & Associates, which also produces such yearly reports as the Basic Financial Statements (BFS) and the Memorandum of Internal Controls. She said the audit was clean, with no findings of difficulties, misstatements, misrepresentations or disagreements with Town processes or financial activity. One of the key financial highlights is that our Total Fund Balance, comprising all 13 of our funds, including the General Fund, increased by 10.4% for a total of \$12.1 million.

The General Fund on its own increased by just under \$900,000, 22.6% during the fiscal year. Ms. Nerdahl said. Our net position -- which takes all our assets and all our liabilities, including our net capital assets -- increased by 2.4% or just over \$1 million. The two main factors contributing to the increased net position are the Open Space Fund, which increased by more than \$300,000, and the General Fund.

Revenues decreased by 34.2% over the last year, mainly due to the prior year's sale of one of the Blue Oaks parcels for \$2.7 million, with the original valuation being \$1 million. The General Fund revenues decreased by more than \$500,000, due primarily to several factors from the prior year: a correction in how the Tax Equity Allocation (TEA) revenues were calculated; a significant one-time private purchase and private donations related to the Ford Field renovation.

The General Fund revenues were 14.4% over the adopted budget of \$4.3 million. Ms. Nerdahl said the economy was doing so well that building permit revenue, which was \$100,000 over the prior year, was \$223,000 over the adopted building permits budget. The Town issued 535 building permits in 2013 and 712 in 2014. Ms. Nerdahl compared the first six months of this current fiscal year to 2014, noting an 18% reduction in building permits issued. Secured and unsecured property taxes collectively were 10% over budget.

The County continues to refine its TEA calculations and we continue adjusting to the recalculated revenues, Ms. Nerdahl said. Councilmember Wengert asked if the auditors ever question or call the County to understand or verify. Ms. Nerdahl said the County has its own auditors who look at their calculations. Mr. Pegueros said there are two audits of the County processes -- their own independent audit, which doesn't generally dive into the details of the mechanics of property tax distribution. But once every 10 years, he explained, the state audits the actual mechanics of their processes and confirms that they're applying the laws appropriately. He said those audits, the latest of which was in 2010, are incredibly important because as of a certain date, the state basically says all of the calculations prior to that date that they audited were good and therefore final. So even if we found a mistake, it would be very difficult to go back and fix it if finalized by the state.

With regard to the County's calculations, Mr. Pegueros said he agrees with Ms. Nerdahl that the County Controller's office finally appears to be on the right track to understanding the law and applying it correctly to property tax calculations. The problem, however, is there are so many nuances. Sacramento has played with property taxes so much that they've created new iterative calculations, and sometimes there are unintended consequences or there's a layer that doesn't

get caught when the County makes corrections. Although they do their best to send us the correct amount of property tax revenue, it's incredibly unnerving not to really know what's happening with our revenues, because this is such a key piece of our financial picture. For that reason, as the County works through all of these calculations over the next several years, we really need to exercise some fiscal prudence.

Ms. Nerdahl said expenditures were slightly more than last year, but still within the adopted budget. They include a new inclusion in the Town-wide statements, which is Other Post-Employment Benefits. OPEB typically represents post-employment healthcare benefits.

While General Fund expenditures were 2.4% over the prior year, this isn't anything to worry about, Ms. Nerdahl said. It's due mostly to several increases in general government, such as higher plan check expenditures resulting from the higher level of building permit activity.

As far as expenditures versus our adopted budget are concerned, Ms. Nerdahl explained that one reason why General Fund expenditures were 7% less, or \$300,000, is that actual Planning Commission and ASCC costs were lower than budgeted as we were in the process of transitioning to in-house staff, and several capital improvement projects were postponed.

As Ms. Nerdahl told the Council, it is apparent from the two most recent fiscal years that our finances are in good shape at this time. Looking ahead, it is important to note that we're still adjusting to the new TEA calculations, and it is rumored that excess Educational Revenue Augmentation Funds (ERAF) will go away in two to five years. The Town has several CalPERS-related issues on the doorstep (the unfunded pension liability and other post-employment benefits), she added, but the Town is in a position of minimizing the impacts of these liabilities to its balance sheet.

She said she's done an analysis of our road projects, and although we currently have some outside funding sources, local and federal reimbursement grants..we can't count on those to continue. We no longer have a road impact fee, and it should be noted that before that fee came into being, the General Fund actually did support our annual road project more than recent years.

Councilmember Wengert asked whether Governmental Accounting Standards Board (GASB) 68 provides for a phase-in of unfunded pension liabilities. Ms. Nerdahl said she thinks this is the year that we get our turn on implementing the phase-in.

Mayor Aalfs pointed out that there are actually two unfunded liabilities – the general pension fund and OPEB. There are two numbers, he added, the \$308,000 unfunded liability and, the \$49,000. Mr. Pegueros explained that GASB 45 requires all public agencies to analyze the commitments they've made to their employees for post-employment medical benefits. It may also include other benefits like vision, but the Town doesn't provide those, so when we talk about OPEB for Portola Valley, we're just talking about retiree medical. The impact of that liability is phased into our financial statements over a period of 10 to 30 years. We chose 10 years, but that can always be changed in future evaluations. We're required to update the evaluation once every two or three years to account for changes in healthcare costs, etc. But the number you see on the financial statements is the current annual required contribution to fully fund, eventually, the retiree medical benefit.

One thing that will be coming back to the Council is a proposal to fund that liability, Mr. Pegueros said. If we were to fund the liability, the financial statements would show an asset in trust that equals or exceeds the OPEB liability. A number of cities are showing the OPEB liability, but they haven't put any asset's away, so that clearly affects their net position. Here in Portola Valley, staff would recommend that at a minimum we put away the annual required contribution for a net zero effect on the net position.

Councilmember Hughes asked if that would mean that for 10 years we'll have roughly a number that's pretty similar to this year's, and then in year 11 it would drop down to some smaller amount so that we don't fall behind. Mr. Pegueros said that's exactly right, adding that the Council would have the option of funding it all at one time, in which case the asset would exceed the liability, so the liability would catch up to the asset.

Councilmember Wengert asked whether as part of the analysis on the liability side, the state provides a pre-specified discount rate every year in terms of that valuation. Mr. Pegueros said that we control the assumptions for retiree medical, and our assumptions are realistic. He consulted with the Finance Committee on the discount rate to use, and recalls it in the range of 4.25%. It's a policy decision, he added, so the Council could take it down to zero if you want or bump it up, but it needs to be realistic. The accounting standard requires us to demonstrate that there's a reasonable possibility that we could achieve whatever discount rate we're using. That is only for the medical piece.

Mr. Pegueros said the pension piece to which Ms. Nerdahl alluded is included in the Memorandum of Internal Controls, GASB 68, which will treat the unfunded pension the same way as unfunded retiree medical, so each year the amount will be factored in to our financial statements. We'll have an option of paying it down or not, but it could have an impact. In response to Councilmember Wengert, Mr. Pegueros said we'd at least have consistency.

Mayor Aalfs invited public comments. There were none.

Councilmember Wengert congratulated Ms. Nerdahl for once again guiding the Council through the financial maze, and the way she presented it hit on the questions we'd likely have, such as how things varied relative to projections to budget and to actual. She said her final issue is, given the uptick in the amount of activity, particularly on the permit side, whether we feel comfortable that we're adequately staffed, in the sense that clearly we don't want CheyAnne Brown (Planning Technician) and Debbie Pedro (Town Planner) and the other building and planning staff running against the wind to such degree that it creates a huge problem for them. She asked Mr. Pegueros to add this issue on his "watch list."

Mr. Pegueros said he'd definitely do that. He said part and parcel of this discussion is what rate of cost recovery we're achieving with our fee schedule. Sometimes it's easy to assume that if the revenues are going up, we're recovering more money, but that isn't necessarily the case. He emphasized two points:

The first is building permits paid in 2013-14 are for services and inspections that are likely to span multiple years. Because we didn't spend all of it in 2013-14, we have building inspection obligations remaining.

Our reorganization of the Planning Department definitely suggests that we take a comprehensive look at our fees next year, and that will be one of the budget proposals. It's a costly and time-consuming exercise, but now that we have a model that we believe will go forward, it's a good time to stop – and in that process we'd look at the workload and how things are moving through the system, whether we need more staff. As Mr. Pegueros explained, the work is clearly cyclical and the hard part of staffing a Planning Department is that if you staff for when you're busy, what does all the staff do when it's not busy? So a combination of new staff and/or an on-call consultant planner or building inspector to pick up the slack may be the answer.

Councilmember Wengert said another variable that's very much part of the equation is given what we're all seeing around Town in terms of size, scale and scope, projects are more sophisticated and take longer. She said it would be interesting to see how long a time period it's taking from the time the permits are issued to when the building inspection is performed. Whereas in the past 12

or 18 months may have been a typical timeframe, now it may be a longer. When Mr. Pegueros pointed out a case that's more than 10 years old, Councilmember Wengert said she's aware of a few of those and hopes they're outliers. Still, she added, she guesses the days of shorter, easier and simpler transactions are probably gone.

Councilmember Richards complimented Ms. Nerdahl on a very nice job and thanked her for making the information understandable to non-financial types.

Councilmember Hughes agreed, and having been on the Council for 18 months now, he's impressed by the transparency of the Town's financial situation and how Ms. Nerdahl and Mr. Pegueros go out of their way to make things clear, do things in a way that makes sense and really highlight where the important stuff is. That said, Councilmember Hughes continued, we've had two years in a row of significantly more revenues than expenses, so we're probably going to have think about what to do with that.

Referring to Councilmember Hughes' comment about transparency, Vice Mayor Derwin said that not all entities have transparent finances, and she's proud to be in Portola Valley, which is so well managed financially – and Ms. Nerdahl and Mr. Pegueros are a large part of that.

Mayor Aalfs said because he's not "a finance type" and has little to look at by way of comparison, he expects to be let down someday when he realizes that not everyone's accounts are as easy to read and understand as Portola Valley's. He, too, thanked Ms. Nerdahl and Mr. Pegueros – including thanks for introducing him to his new favorite accounting term, triple-flip revenue.

Councilmember Wengert moved to receive the audit and financial statements for FYE June 30, 2014. Seconded by Councilmember Hughes, the motion carried 5-0.

(4) *Recommendation by Administrative Services Manager: Adjustments to General Fund Assigned Funds [8:52 p.m.]*

Ms. Nerdahl said about a year ago, when several adjustments were made to the assigned funds within the General Fund, there was discussion about some of the assigned funds that had been on the books since before she joined the Town staff. Portola Valley's first assigned fund, established in 1980, was the Legal Fee Contingency Fund (\$100,000 balance as of June 30, 2014). Ms. Nerdahl undertook some research into the Children's Theater Fund, the Open Space Acquisition Fund and the Historic Museum Fund. The research led her to learn that these funds were established in 1991, 1995 and 1998, respectively, and to make the following recommendations:

- Donate the balance in the Children's Theater Fund (\$2,659.62) to a public school with a children's theater program.
- Return the balance in the Historic Museum Fund (\$2,990.95) to the General Fund, and used to pay for landscape improvements in front of the Schoolhouse; funds for the Historic Resources Committee are made available during the annual budget process.
- Transfer the balance of the Open Space Acquisition Fund (\$377,499.04) to the restricted Open Space fund.

Of the remaining assigned funds, staff recommends:

- Reducing the balance in the Unfunded Pension Liability Fund (\$1,015,000 as of June 30, 2014) to \$955,472 to correspond to CalPERS most recent actuarial valuation, which was June 30, 2013.

- Renaming the “Emergency Capital Replacement/Repairs Fund to Capital Replacement/Repairs Fund to make these funds available for non-emergency capital replacement/repairs and to streamline the Town’s ability to request FEMA assistance in the case of a disaster.
- Establishing the Retiree Medical Liability Fund to set aside the OPEB reported in each year’s financial statement (\$308,280 for the FYE June 30, 2014).

Mr. Pegueros clarified that in this context Ms. Nerdahl is referring to funds with a lower-case “f” – the Open Space fund, a restricted fund, as opposed to the Open Space Acquisition Fund, an assigned fund in the General Fund. The restricted funds use the lower-case “f.”

Councilmember Wengert asked whether any restrictions were made on the Open Space assignment in the General Fund. Ms. Nerdahl said she was not able to determine any.

Councilmember Hughes said that Gary Nielsen, a member of the Town Council when the Open Space Acquisition Fund was established, attended a Finance Committee meeting at which he said they were essentially trying to kick start the open space fund before they created the separate dedicated restricted fund, but it didn’t go farther than earmarking some money within the General Fund. He said the recommendation to transfer it to a restricted fund within the General Fund makes sense.

Councilmember Hughes said the Finance Committee also discussed the possibility of moving the funds to an “undevelopment” fund, which is like a development fund, but for open (i.e., undeveloped) space. The difference, he said, is that we might be able to actually get a better return on the money while it’s sitting there waiting for an open-space project. As it stands, the fund is losing value relative to the price of real estate.

Mr. Pegueros pointed out that the Finance Committee supports the recommendations included in the staff report. Committee members also had a somewhat lengthy discussion about the size of what would be designated the Capital Replacement/Repairs Fund. Reviewing the amounts of the General Fund assignments, Mr. Pegueros noted that some of the numbers are rather specific. For instance, we brought the Unfunded Pension Liability Fund up to date to an actual number that is substantiated by a report. However, we had no particular basis to arrive at a capital reserve of \$1.4 million, which the Finance Committee discussed in 2014 and again in their meeting on January 6, 2014. According to Mr. Pegueros, Committee members wrestled with whether we need to do a study, how we arrive at a number and whether we are comfortable with the number? Given the consideration of past events, such as the experience from the El Niño years, and needs for cash to deal with emergencies, he said \$1.4 seems about right and the Committee supported it. They did not recommend spending time or money trying to further refine that number through consultant studies on deferred capital improvements or whatever the case may be. That said, Mr. Pegueros emphasized that assignments authorized by the Council can be undone by the Council in the future.

Councilmember Hughes asked whether the Council should decide where the Children’s Theater Fund money should go. Would we split it half-and-half between Ormondale and Corte Madera? Or just give it to the school district? Mr. Pegueros said that a Council decision would be necessary before cutting any checks. Because the money was donated to a public institution in the first place, he said it should be forwarded to a public institution and the Council can give direction tonight where that should go.

Vice Mayor Derwin said she’d prefer Woodside High School to get the money. Corte Madera has the capacity to raise a lot of money, but Woodside does not. She said they need it more than the Portola Valley School District does. Councilmember Richards said he’d be okay with Woodside,

noting that the school has a great program. Councilmember Hughes said it made sense to him. Councilmember Wengert said she agreed if Woodside has a greater need.

Councilmember Wengert said she has no issues about the restricted fund for open-space money, but on a related point, she would like to see the Open Space Acquisition Advisory Committee reactivated. As she sees it, the Committee has been pretty dormant for the last couple of years and there's enough money there. She suggested we at least look at another way of potentially managing those dollars. .

Mayor Aalfs asked whether any Finance Committee members were hesitant about transferring open-space money from an assigned but unrestricted fund to a restricted fund. He said the restricted Open Space Acquisition Fund is small enough that we can't do much with it anyway, so adding a small amount to a fund that's already insufficient doesn't do a lot of good. On the other hand, he continued, in the interest of prudence we could put it in an unassigned General Fund.

Councilmember Hughes said the Finance Committee briefly discussed shifting the open-space money from an assigned to an unrestricted fund, but a big part of the meeting focused on how since 1995, \$350,000 has turned into \$377,000 – not even close to any real estate appreciation. He said that's true of all of our funds; we don't get a good return on investment.

Councilmember Hughes said there also was some discussion in the Finance Committee about whether there's any realistic likelihood that this \$377,000 would ever, for political reasons, possibly be spent on anything other than open space. Given that seems extremely unlikely, it might as well go into the restricted fund.

Mr. Pegueros pointed out that the Council also has the option to leave everything as is. Staff would like to clean up the small numbers and tie the Unfunded Pension Liability Fund to a number that's in an actuarial report. But with respect to the Open Space assignment, he said Councilmember Hughes hit the nail on the head. The question is, where does the Council want those funds available? For open-space acquisition exclusively? Or for open-space acquisition possibly in the General Fund, but possibly for other purposes? There's no burning need to make a decision tonight, he said, but since we were looking at all of the assignments, we thought it would be a great idea to bring this up.

Councilmember Wengert said the bigger question for her is that if we're not able to buy open space in the future, because pricing has just moved so dramatically out of reach, how else could these monies be used? She emphasized that she's not suggesting even starting down that path, but she's still interested in reactivating the Open Space Acquisition Advisory Committee because we just haven't had any activity there for a while.

Mayor Aalfs said it appears we have two issues:

- Councilmembers are agreeable to disposing of the two smaller funds
- We could just go ahead with transferring the Open Space assignment to the Open Space Acquisition Fund as recommended or defer that decision.

Councilmember Hughes said he'd favor moving the open-space money as recommended. . . Otherwise, he said, we end up having this discussion again every year. Twice – once during the budget and once now, and ultimately I just don't think that money has any possibility of being spent on anything other than what the assignment was intended – open space acquisition.

Councilmember Richards said he agreed, given the provenance of it.

Mayor Aalfs invited a discussion of who should discuss the recipient of the Children's Theater Fund monies. Councilmember Wengert said she agreed with Vice Mayor Derwin to donate the funds to Woodside High.

Mayor Aalfs invited public comment,

Alex Von Feldt, Creek Park Drive, said she isn't sure if the Open Space Acquisition Fund is restricted to acquisition, if the amounts are small and is worried about being able to buy new property. She pointed out that a lot of property that the Town already owns are in dire need of maintenance. Would putting the money in the restricted fund mean you could no longer use it for maintenance?

With the benefit of recent staff research, Mr. Pegueros indicated that the Open Space Acquisition Fund's intent was for acquisition and preservation of open space, and an argument could be made that preservation includes some maintenance. At an Open Space Acquisition Advisory Committee meeting he attended soon after joining the staff, Mr. Pegueros said there was quite a discussion about how much of the funds in the Open Space Acquisition Fund should be used for maintenance. The fact that it was being debated made it clear the issue hasn't been resolved fully, Mr. Pegueros said, and he thinks the only way to resolve it would be for the Council to give very clear direction.

Mayor Aalfs asked whether the restriction precludes maintenance, as long as the property remains open space. Mr. Pegueros said it does not preclude preservation.

In response to Vice Mayor Derwin, who asked whether the Council vote on the assigned funds would allow using the money now in the Open Space Advisory Fund to maintain our open space, Mr. Pegueros said no, the Council would need to discuss and decide in a separate action. Councilmember Wengert said it's another reason for the Open Space Acquisition Advisory Committee to swing into action.

Councilmember Hughes added that obviously this money is less restricted as an assigned fund in the General Fund, so we can do with it what we want, but essentially the purpose was the same as whatever that restricted fund was when it was set up.

There were no further public comments.

Councilmember Hughes moved to make all the assigned fund balance reserve adjustments recommended in the staff report and donating the balance in the Children's Theater Fund should to Woodside High School for its theater program. Seconded by Councilmember Richards; the motion carried 5-0.

- (5) *Recommendation by Town Manager:* Request from residents to issue a letter to Stanford University regarding steelhead recovery in the creeks upstream of Searsville Dam [9:10 p.m.]

Mr. Pegueros said that after hearing from several residents at the January 14, 2015 Council meeting, Mayor Aalfs, with concurrence of the Council, gave staff direction to put this item on tonight's agenda for discussion.

Councilmember Wengert said that although Mr. Pegueros briefed her on this item because she missed the January 14, 2015 meeting, she had some basic questions about what Stanford has been doing, the process they're going through on the Searsville Dam issue, who has been participating, where things stand and where we would be in this process.

Mr. Pegueros said the packet contains several press releases from Stanford that outline the development of the process used to identify alternatives for Searsville Dam. He said it's his understanding that:

- The advisory group, made up of community members, has submitted three recommendations to Stanford for alternatives to Searsville Dam
- The matter is now with the faculty and administration committee that was developed or assigned to look at it, and that committee will be making a final recommendation on which alternative or alternatives to pursue.
- Although the process was expected to conclude last year, it got delayed and now they're very close to making that final report

Councilmember Wengert said in trying to frame the issue, she wondered why it's emerging here now. She said she wants to know the etiology of us commenting to them. She asked whether others are commenting as well, one way or the other. She also asked whether Stanford's process is an open process in terms of accepting input. As she observed, Stanford is obviously in our sphere of influence, and if it were in the public sector, we would potentially have been providing commentary throughout the process.

Mr. Pegueros said that looking back at several instances where the Town has weighed in on more regional matters, we were reacting to reports or a project or proposal that has been on the table and was open for public comment. Clearly this letter comes before the distribution of the Stanford report, he said, noting that the residents in attendance tonight can probably fill in some blanks.

Vice Mayor Derwin reiterated that Stanford is expected to come to a decision soon and the residents who came to the Town would like Stanford to choose an alternative that allows for fish passage. If they wait until after Stanford renders its decision is rendered, they won't have been able to make that suggestion. For that reason, she said it's critical to get the letter in to Stanford before they announce a decision, in the hope that the letter will influence a decision to choose an alternative that allows for fish passage, as well as watershed and habitat restoration.

Councilmember Wengert asked whether we know what three options Stanford is considering, whether its decision will be final, or if public input will be allowed.

Vice Mayor Derwin said she believes information about the options is in the packet.

Ms. Prince said that even though Stanford is a unique entity, it still has to go through the environmental review process. It will include a Notice of Preparation (NOP), where you can comment on the option and the alternatives and what specifically should be studied – for example, the migration of fish. And there's the process whereby Stanford will have to reach out to the public agencies within the sphere of influence, which will be another chance to comment, as well as on the draft document and the final document that gets produced. So not only do you have the opportunity to comment on the review, but also on the project itself and whether you like it or don't, a whole variety of options.

Councilmember Hughes said there's an opportunity in a "pre-decision" letter to say that if one of the options available satisfies the needs, we'd be more supportive of it through the review process. He said we also can let Stanford know we have residents who have thought about this and put some time into it, and whatever options are being considered, this is important to us.

Mayor Aalfs invited public comment.

Danna Breen, Alpine Road, said that with Stanford in Portola Valley's sphere of influence, it's interesting that the Town didn't weigh in a long time ago or at any time previous to this. She said she just came from a talk at the Woodside Priory on a sacred sanctuary on this planet, the estuary of San Francisco Bay, and it was an extremely moving experience. Two weeks ago at an Audubon talk in Portola Valley she said she learned about the extinction of 50 birds coming up in the next 50 years due to climate change, and we know dams are associated with climate degradation. She said we also know that Stanford diverts 400 million gallons of water a year out of the steelhead ecosystem habitat from our sacred water source.

Ms. Breen said the letter must go forward. The dam will come down at some point and our Town needs to have been a stakeholder on that. It's time to put our oar in the water and say this is not okay. If we are in fact stewards of creeks and lands, we need to have made a statement that this dam is not okay. A methane hole sits on the top of that dam and the steelhead can't run into our creeks. How do we feel about that? She said she was involved in the idea behind this letter, which she described as incredibly benign and gentle, and not strong enough.

Bill Kaspari, Alpine Road, read a letter from Tom Schreck one of the residents who spoke at the January 14, 2015 meeting but was unable to attend tonight:

“ . . . As you may recall, I am a 57-year-old resident of Portola, son of Albert and Joel Schreck. I've lived in Portola Valley most of my life and am fortunate that I've been raised by such wonderful parents. We also know that my father was a founding father of Portola Valley along with Bill Lane, helping to write the incorporation documents which established in perpetuity the guiding principles and ethos of our Town to forever maintain and preserve our rural character. To this end, I believe we have an important opportunity in writing Stanford University when considering Searsville Dam options, to only consider those options that restore steelhead migration upstream of the dam. This is in keeping with our Town guiding principles and will ensure we maintain, observe and restore our native flora and fauna if possible.

Mr. Kaspari said he's lived here close to 45 years, and one day about a year after moving in, his 10-year-old son walked in the house carrying a 12-inch rainbow trout. He caught it in the creek that goes around our place. He didn't have any bait. The trout was so lethargic in this warm water that he had snagged it, pulled it out and brought it home. I never forgot that because I've never seen any other fish in there. Mr. Kaspari said it would be nice if we could convince Stanford, at least weigh in the side of an alternative that allows fish to go up and down this creek. Seven creeks in Portola Valley feed into Searsville Dam and they're sort of dead in the sense of flow process, so I'm very much in favor of sending this letter out.

Sue Crane, Portola Road, said she knows this is a very delicate subject, this sleeping giant all around us, and she feels this needs a gentle approach. She said the drafted letter speaks for us and serves as a good representation of our feelings to a neighbor. She said it is non-pejorative, and we would be happy to have Stanford hear our voice.

Alex Von Feldt, Creek Park Drive, said that although she's no expert on the Searsville issue, she's aware of the citizens' group that's been meeting to talk about it for the past few years. She said Stanford has done an excellent job involving the community and actually George Mader (retired Town Planner) has been one of the leads of the advisory committee. She said the environmental community also has been represented, including Acterra and the Regional Water Quality Control Board. She said a lot of conservation environmentalists she respects have differing opinions about the Searsville issue. Some think that it should be retained for wetlands and open-water habitat.

One of the things she's learned, Ms. Von Feldt said, is that the current Searsville Lake is not sustainable. It's filling up with sediment, and Stanford has acknowledged that something must be done. Options include partial and full removal of the dam, and even some Stanford faculty anecdotally say it's time for the dam to go. Another option is trucking out the sediment and hauling it off, making a big carbon impact in the process and also affecting our communities.

Stanford must do something about the fish, too, Ms. Von Feldt said, because the fact that the dam isn't passable to fish violates state and federal laws. One option involves a very large fish ladder, which most experts say will not work. Even the small fish ladder in Los Trancos Creek doesn't work, she said. Another idea is to stun the fish and then truck them around the dam to release. According to Ms. Von Feldt, other than taking out the dam, most of the options for solutions are clumsy at best. However, she noted that even Stanford acknowledges that all of the options would improve flood protection for downstream communities.

To Ms. Crane's point, Ms. Von Feldt said, the letter to Stanford is gentle and undemanding. It's about how we support restoring natural stream functions. As she sees it, this situation presents a unique opportunity. She urged the Council to send the letter in the hope that we can see something happen in our lifetimes

Marty Mackowski said the Town has a responsibility to make its intentions known. These creeks are an integral part of our environment, he said, and he'd love to see the fish come back up the stream. Going so far as taking down the dam would certainly be a big project on the part of Stanford, but at least we can let our opinion be known, he said.

With no other speakers coming forward, Mayor Aalfs brought the issue back to the Council.

Councilmember Wengert asked who's come out in favor of keeping the dam. Someone said the only people who want to maintain the status quo are Stanford people whose stance is based on how expensive it would be to remove it.

Ms. Von Feldt pointed out that if nothing happens, the open-water habitat will disappear. And if Stanford removes the dam, they'll have to mitigate any wetland loss.

Ms. Breen pointed out that the water is also a commodity, an asset, a function for Stanford; they use it to irrigate their golf course – at the expense of the steelhead.

Mayor Aalfs read from the letter: "We support a Searsville alternative that reduces or eliminates artificial reservoir habitat that encourages the reproduction and spread of non-native species such as bullfrogs . . ." He asked for confirmation that the dam and wetlands actually have introduced non-native species? A woman from the audience responded affirmatively, and added, "predatory fish as well."

Councilmember Richards said he's frankly puzzled that the Town hasn't weighed in on this before, because it's fairly well known and has been ongoing for a while now. He said he would personally probably opt for a more vigorous approach, but he's happy with the way this letter is written and would absolutely support it. He said getting the creek back to a natural state and have its real bloodstream become real again is so fundamental to what we purport to support here in Town. He said not weighing in at all would be a big mistake, and he's good with going with what we've got.

Councilmember Hughes agreed, but he likes the fact that the letter is pretty mild and non-controversial. From the point of view of the Town, what the Town is trying to do and why it was incorporated in terms of preserving natural environment and so on, this letter essentially just lays that out with respect to the creeks and the dam's impact on them. For those reasons, he said it's

appropriate to let Stanford know that we care about the decision they're about to make, and we hope it's not one that heads in a direction that may not have a positive impact on Portola Valley and may be hard to change later.

Describing the letter as "really rich," Vice Mayor Derwin said that no one else had yet mentioned bullet points that talk about how this alternative would support groundwater recharge, increase the watershed's resiliency to climate change and is conceptually supported by Governor Brown's Water Action Plan. She said the letter contains much to embrace, and it's we our responsibility as stewards of the creeks and the lands to tell Stanford how we feel about their decision, about the dam that will affect all our creeks and lands. She also said it is congruent with the values embodied in our General Plan, particularly the Conservation and Sustainability Elements, and she's thankful to the residents who brought this to us.

Mayor Aalfs agreed that it's very much congruent with Town values, and very much in the Town's purview to comment on something that affects us as profoundly as anyone. He said he might have questions about specific points, but support the letter.

Councilmember Wengert said her apparent hesitancy has nothing to do with what the letter says, but is related to being comfortable that all sides of the issue have been presented. She said typically when the Council is asked to opine on something, there's more opportunity to see all the opinions and all of information on whatever the issue is. She added that she certainly benefited particularly by Ms. Von Feldt's comments, but in any case, she said she tends to agree with her colleagues and appreciates those who brought the matter to the Council's attention.

Councilmember Wengert said obviously the process in this case reflects the Stanford's complexity – who they are and how they interact with the communities in which they're located, and it's not really a public process in the way we're used to having it. Given all of that, this probably is our opportunity to say something. We should say it now rather than later. We may have another opportunity with the Environmental Impact Report (EIR). Echoing Ms. Crane's comments, she added that letter certainly shows a respectful approach, but still it makes all the points to the extent that it articulates our position and our continuing commitment to restoring native habitat. Also, looking at the fact that Searsville Lake is down to 10% of its original capacity, clearly there's a major problem, she concluded, and this is the timing.

Mayor Aalfs said he thinks the letter is fine, noting the fact that we are not telling Stanford what to do but rather what we want. Also noting that we want fish to be able to get up and down the river by themselves, he asked whether our desire for an "unimpeded migration corridor" implies either partial or complete removal of the dam. Councilmember Hughes said if the fish-ladder option is not expected to work well in letting fish pass, it may be that effectively we're recommending partial or complete removal of the dam.

Vice Mayor Derwin moved to approve the letter drafted to Stanford University, pending minor modifications by the Mayor. Seconded by Councilmember Richards, the motion carried 5-0.

(E) Council Liaison Reports on Regional Agencies and Organizations [9:38 p.m.]

(1) *Councilmember Richards*: County Emergency Council

- The JPA agreement needs one last signature, from Redwood City, which is expected on February 9, 2015.
- A new position of Fire Battalion Chief was approved, which will cost Portola Valley about \$500 annually.

- There was a drought update; for the time being, the emergency water situation at Alpine Creek has abated, although a number of wells failed. San Mateo County housed 100 displaced residents in the OES during the last heavy rainstorm.

(2) *Vice Mayor Derwin*: Resource Management Climate Committee (RMCP), Bay Area Water Supply and Conservation Agency (BAWSCA) and Housing Endowment Regional Trust (HEART)

The RCMP meeting on January 21, 2015, included:

- A presentation on the Alternative Fuel Readiness Plan for San Mateo County, which is being funded by the California Energy Commission. Alternative Fuel Vehicles (AFVs) use hydrogen fuel, liquid natural gas (LNG), compressed natural gas (CNG), and many other fuels.
- A presentation on the Sustainability Circles Program, which is trying to address sustainability in small to midsize businesses and change the mindset of their office employees. The program involves taking people from 10 organizations, with each participant attending six full-day workshops, after which their organizations are more profitable, more efficient and more sustainable.

For instance, Vice Mayor Derwin said that Mi Rancho did an action plan, and its return on investment (ROI) will generate \$1.05 million in savings over five years. She said she can think of several candidate organizations in Portola Valley that might benefit.

- A review of Outcomes of 2013-2014 San Mateo County Energy Watch Program Cycle and update on 2015. Vice Mayor Derwin said that everything is on track except natural gas, which is a difficult category to control. 2:11:12.2 Councilmember Hughes supposed that it might be easier with power plants and in industrial areas versus residential.

From BAWSCA's January 15, 2015 meeting coverage of Water Supply and Conservation Efforts in San Mateo County:

- With no rainfall since December 2014, the good news is that we're making progress in converting non-potable water to potable water, and as a region we're conserving well.
- To put the conservation picture in perspective, Vice Mayor Derwin pointed out that Portola Valley uses 300-plus gallons per day whereas some other communities' comparable numbers are 44, 46, 49.4 and 56 gallons per day in Daly City, East Palo Alto, Mountain View and Sunnyvale.
- Precipitation in February and March could put us on the road to recovery, but rainfall wise, we're tracking above the worst year on record since 1977. The 10% reduction would stay if we experience precipitation in the range of what we experienced in 2007, but another year like 1977 would trigger state and federal declarations of emergency, widespread diversion curtailments and water reallocations, suspension of certain environmental protection laws and mandatory rationing to reduce water consumption by 20%, she said.
- The San Francisco Public Utilities Commission is scheduled to reevaluate the water storage situation on April 15, 2015.

From the HEART Board meeting today:

- The organization is counting on Portola Valley to promote donations and attendance at this year's fundraising luncheon, scheduled for May 15, 2015. The featured speaker will be John Stewart, who founded the John Stewart Company in 1978 with a commitment to provide high-quality management for affordable housing in the Bay Area.
- There also was a report by the newest consultant, Consulting Within Reach, which advocates capital-preserving philanthropy and discussed momentum to begin an actual experimental project.

(2) *Councilmember Hughes: Community Choice Aggregation (CCA)*

Councilmember Hughes, with Ms. de Garneau and Greg Beverlin, took part in a three-hour workshop in Redwood City this afternoon, during which representatives of Marin Clean Energy and Sonoma Clean Power discussed their experiences in the CCA program. From Commissioner Hughes' notes:

- PG&E provides power distribution, lines and line maintenance, and billing services. The local agency (e.g., the geography area of a town or county, such as Marin County or Sonoma County) buys the energy on the energy market, contracting the supply. That gives the CCA local control over the suppliers it buys from and how they generate the electricity they sell. A Joint Powers Authority (JPA) is created to implement and provide governance for each CCA program.
- With the energy-trading profit out of the equation, the CCA can reduce rates somewhat in comparison to PG&E. Marin and Sonoma have both had pretty good experiences so far, Councilmember Hughes reported, and the results on their residents' energy bills are pretty significant.
- PG&E' standard mix of electricity, between what it produces and what it purchases, is about 22% renewable, much of it hydropower. Marin Clean Energy has two plans for residents to choose from now, and is about to launch a third. The default is "Light Green," 50% renewable, which has been 5-10% cheaper than PG&E's. "Deep Green" is 100% renewable, which is one cent more per kWh than PG&E for residential users, but significantly less than PG&E for commercial users, who can get significantly more renewable energy at cheaper rates. San Mateo County differs in scale from Marin and Sonoma, so the savings might not be comparable.
- CCA is asking San Mateo County cities, including Portola Valley, to authorize PG&E's release of usage data so CCA can do a study. That's all they want – no financial commitment. Councilmember Hughes said we'd have to make a decision on CCA's request soon, because they want to know by February 20, 2015.
- CCA indicates that a program can be in operation by the third quarter of 2016. Councilmember Hughes said the up-front capital cost would require a loan, because the JPA would have to buy the electricity before the CCA could bill customers for it.
- Councilmember Wengert said because the CCA buys the electricity on the open market, it doesn't really control the source. Councilmember Hughes said that although once the power goes in the grid, that's true because an electron is an electron, but the CCA specification for renewable sources would ensure that the amount of renewable power being fed into the grid matches the amount the CCA customers are taking out.

- Councilmember Hughes said that from an environmental point of view and the cost advantage for consumers, arguments for CCAs are pretty compelling. He said he's trying to find out under what circumstances it could go sour, but said they didn't talk much about risks at the workshop.
- A discussion of the CCA program, led by San Mateo County Supervisor Dave Pine, is on the agenda for the Council of Cities dinner meeting, scheduled for January 30, 2015.

V WRITTEN COMMUNICATIONS [9:56 p.m.]

(1) Town Council Digest: January 16, 2015

#8 – Invitation to Council of Cities Dinner Meeting – Friday, January 30, 2015

Vice Mayor Derwin noted that four Councilmembers plan to attend the meeting, with Mayor Aalfs voting. Council members briefly discussed some of the candidates who are vying for some contested seats to represent the Council for the agencies as indicated.

- MTC (Metropolitan Transportation Commission): Vice Mayor Derwin favors incumbent Redwood City Councilmember Alicia Aguirre for the seat available.
- HEART: Millbrae Mayor Robert Gottschalk, San Carlos Mayor Ron Collins and San Mateo, Vice-Mayor Jack Matthews, all incumbents, are running for the three seats available.
- LAFCo (Local Agency Formation Commission): Atherton Councilmember Cary Wiest and Pacifica Councilmember Mike O'Neill, who was alternate for the seat when it was held by Allan Alifano (Pacifica), are running for one seat. Councilmember Wiest said she favors Mr. Wiest. Vice Mayor Derwin likes both candidates, she said, but Mr. O'Neill probably would get her vote if she were voting.

Mayor Aalfs said LAFCo will face big challenges in the next several years, when its sole employee, Executive Director Martha Poyatos, a long-time staff member with a great deal of institutional knowledge decides to retire. Councilmembers also briefly discussed membership on the LAFCo board.

(2) Town Council Digest: January 23, 2015

#6 – Request for Town participation in Community Choice Aggregation (CCA) Study for San Mateo County

Mayor Aalfs said the resolution concerning the CCA Study, part of San Mateo County's first step toward a Community Choice Aggregation program, will come before the Council at its meeting on February 11, 2015. In response to Councilmember Wengert's asking why the County is taking the initiative on this program – which would be governed by a JPA – Councilmember Hughes said it's probably easier for the County to reach significant scale.

#10/1 – Memo from Town Manager, Nick Pegueros, re: Weekly Update – Friday, January 23, 2015

Mr. Pegueros said he would provide an update on the pension retiree medical liabilities report as well as the budget and workplan at the Council's meeting on February 25, 2015.

#10/2 – Memo from Town Manager, Nick Pegueros, re: Weekly Update – Friday, January 23, 2015

Councilmembers discussed web problems, including Distributed Denial of Service attacks (DDoS).

#10/7 – Memo from Town Manager, Nick Pegueros, re: Weekly Update – Friday, January 23, 2015

Vice Mayor Derwin pointed out a ruling that judges cannot join the Boy Scouts because they're discriminatory in that gay people cannot serve as scout leaders. Nor do the scouts allow atheist or agnostic children to join. Mr. Pegueros said that at one point when he was having a discussion with one of local scout leaders, who expressed a perception that the Town was dissatisfied with some of the national organization's policies. He told Mr. Pegueros the local organization looks the other way on a number of issues.

VI ADJOURNMENT [10:10 p.m.]

Mayor

Town Clerk