

Town of Los Altos Hills City Council Regular Meeting Minutes

Thursday, October 11, 2007
Council Chambers, 26379 Fremont Road

CALL TO ORDER, ROLL CALL, AND PLEDGE OF ALLEGIANCE

Mayor Jones called the City Council Regular Meeting to order at 7:10 p.m. in the Council Chambers at Town Hall.

Present: Mayor Craig A.T. Jones, Vice Mayor Jean Mordo,
Councilmember Breene Kerr, Councilmember Mike O'Malley, and
Councilmember Dean Warshawsky
Absent: None
Staff: City Manager Carl Cahill; Interim City Engineer Cyrus Kianpour, Finance
Director Nick Pegueros, Planning Director Debbie Pedro, Associate
Planner Brian Froelich, Assistant City Attorney John Bakker, and City
Clerk Karen Jost

MOTION SECONDED AND CARRIED: Moved by Warshawsky, seconded by Mordo and passed unanimously to limit comments from the floor to two minutes.

APPOINTMENTS AND PRESENTATIONS

1. Carl Guardino, President & CEO, Silicon Valley Leadership Group

Carl Guardino, Silicon Valley Leadership Group, introduced himself and thanked the City Council for the opportunity to extend an invitation to them and the Los Altos Hills Community to participate in the annual Silicon Valley Turkey Trot. The fundraising run held on Thanksgiving morning and underwritten by Applied Materials benefits local charities who help valley families meet their most basic needs for health, hope and a home. The run included a special category for CEO/Celebrity-Elected Officials. Guardino noted that Councilmember Warshawsky was the winner of last year's Celebrity Run.

2. Appointments to Standing Committees

Historical Committee

Council had before them applications from residents William Downey, Les Earnest and Mary Ann Malcom seeking appointment to the newly established Standing Historical Committee.

MOTION SECONDED AND CARRIED: Moved by O'Malley, seconded by Kerr and passed unanimously to appoint William Downey, Les Earnest and Mary Ann Malcom to the Historical Committee. Terms are for four years.

Open Space Committee

Council had before them an application from resident Richard Partridge seeking appointment to the Open Space Committee.

MOTION SECONDED AND CARRIED: Moved by O'Malley, seconded by Mordo and passed unanimously to appoint Richard Partridge to the Open Space Committee for a term of four years.

CONSENT CALENDAR

Items Removed: Item 6 (O'Malley); Item 14 (Kerr)

MOTIONED SECONDED AND CARRIED: Moved by O'Malley seconded by Mordo and passed unanimously to approve the remainder of the consent calendar, specifically:

3. Approval of Meeting Minutes: Regular City Council Meeting – September 13, 2007
4. Review of Disbursements: 9/1/2007 – 9/30/2007 \$1,110,482.87
5. Ordinance Repealing Title 5, Chapter 4 of the Municipal Code: “Pinball, Marble and Claw Machines” – Ordinance No. 507
7. Friends of Westwind FY2007-2008 Budget
8. Resolution Honoring Judy C. Miner, Ed.D. on her Inauguration as Foothill College's Sixth President – Resolution No. 73-07
9. Notification of Standing Committee Request for Exemption to General Rule Pertaining to the Term of Office for Committee Chair – Community Relations Committee
10. Award of Certificate of Commendation to Paul Fawcett, Eagle Scout, Boy Scouts of America, Troop 31
11. Notification of Fast Track Approval – Lands of Kreagar; 14560 Miranda Road (File #137-07-ZP-SD); A Request for a Site Development Permit for a 1,158 square foot addition (586 sq ft first floor/572 sq ft second floor) (Maximum Height 22' 9") and interior remodel. CEQA Review: Categorical Exemption per Section 15303(a)
12. Notification of Fast Track Approval – Lands of Ryan; 14350 Manuella Road (File #129-07-ZP-SD-GD); A Request for a Site Development Permit for a new 6,813 square foot two story residence (Maximum Height 27') a detached 795 square foot secondary dwelling unit and swimming pool. CEQA Review: Categorical Exemption per Section 15303(a)&(e)

13. Adoption of Resolutions Authorizing the City Manager to Enter Into Two Employment Joint Services Authorities and Further Authorizing the City Manger to Serve on the Board of Directors of Both Joint Services Authorities
Resolution No. 74-07 and Resolution No. 75-07

Items Removed:

6. Amendments to Resolution No.58-07 “Establishing Standing Committees and Adopting General and Special Rules Pertaining Thereto” Modifying the Membership of the Finance and Investment Committee and Chair Requirements for the Westwind Community Barn Committee

Councilmember O’Malley requested clarifications on the proposed amendments.

Vice Mayor Mordo explained that the revised language for the Finance and Investment Committee would allow appointment of an additional resident member when two Councilmembers were not serving on the Committee. Additionally, the amendment to the Westwind Community Barn Committee would strike the requirement that the Chair of the Committee be a Councilmember and would be consistent with the other ten Standing Committees.

Councilmember O’Malley commented that he supported the amendments and offered that he favored limited Councilmember membership on the volunteer committees’ because their participation tended to dictate the agenda of the committee.

Following a brief discussion, Council directed staff to also modify the language pertaining to the Westwind Community Barn Committee membership to read: “which may include up to two City Councilmembers.”

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by Warshawsky to approve as amended Resolution No. 77-07 “Establishing Standing Committees and Adopting General and Special Rules Pertaining Thereto

14. Approval of Amended Parcel Map; Lands of Horton; Blue Oaks Ridge Subdivision on Chapparral Way; File #8-01-TM-ND-GD

Councilmember Kerr questioned if a pathway easement had been required on Blue Oaks Place during the subdivision approval process.

City Manager Cahill responded that the issue would have to be reviewed by staff. No easement had been required from the applicant.

Councilmember O’Malley explained that during the Master Path Map review, no connecting easement to the pathways alignment questioned by Kerr had been identified.

Cahill clarified that the item before Council was an administrable action that would relocate a private storm drain easement and public utilities easement on the subdivision’s

previously approved final map. Staff would review the Master Path Map for the path route in question and report back to Council.

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by Warshawsky and passed unanimously to approve the amended Parcel Map, Lands of Horton.
Resolution No. 76-07

PRESENTATIONS FROM THE FLOOR

Dru Anderson, Emergency Communications Committee Chair, addressed Council. She provided an overview of her 3 year term as Chair of the Committee and shared with Council the safety attire they wear during their drills and emergencies that would identify them as emergency volunteers (jacket, hard hat, identification card). Anderson noted that the membership of the Committee had grown during her term to include 21 voting members and 4 associates, all certified amateur radio operators. Many of the members are both SEIMS and CERT trained.

She thanked the Council for their continuing support of the Emergency Communications Committee and noted that Rick Ellinger would be beginning his tenure as Chair at their next regularly scheduled meeting. She would continue as the business lead on the antenna upgrade at the La Cresta water tank and in their efforts to bring a “ham” presence for emergency preparedness to Foothill College.

Council thanked Anderson for her dedication and volunteer commitment to Los Altos Hills’ emergency preparedness.

Fritz Mueller, Duval Way, addressed Council. He explained that he was before Council to advise them of the re-routing of the campus loop road that was currently being proposed by Foothill College and included in their Facilities Master Plan. He distributed a schematic of the proposal to Council. Mueller offered that the proposed change to the road would severely impact neighbors of the College. Every car that entered the campus traveled on the road. He thanked the staff for their involvement and support of the neighbors’ opposition and encouraged the City Council to continue to monitor the situation.

Pat Meneely, Duval Way, thanked Planning Director Debbie Pedro for her recent letter to Foothill College commenting on the impact to residents of the proposed loop road to the residents. She believed the proposal would not only impact their life negatively with noise and pollution but would have an impact on the environment. She asked the Council to remain vigilant on the project.

Bob Meneely, Duval Way, explained that the proposed loop was very close to his property and with approximately 10,000 vehicles traveling daily in and out of the campus via the road, the effect would be devastating. He noted that the residents had not been informed of the revised Master Plan or been afforded an opportunity to offer their input. Meneely suggested that the loop road realignment would also negatively impact the nearby seasonal Purissima creek that had been reclassified as a drainage swale. He requested Council support to protect their neighborhood. Meneely stated that the residents had tendered an alternative to the College.

Councilmember Warshawsky questioned what authority the Town would have on the proposed realignment of the campus road. City Manager Cahill clarified that the Town had identified their concerns to the College in a letter regarding the project. Staff believed that there was some jurisdictional authority over the road and the corresponding drainage impact. Additionally, staff would have an opportunity to comment on the environmental documents. Cahill noted that the College had circulated an EIR for the first phase of the project and at that time it did not appear that neighbors would be adversely impacted as they are in phase 2 with the realignment of the road. Cahill was hopeful that the issue could be resolved with the College officials. He added that the Town also wanted to ensure that the realignment did not affect the current Josefa pathway that was integrated into the campus.

Albert Jackson, Duval Way, thanked the Council for their support. He explained that the neighbors have experienced three years of construction on the campus that just recently was completed. The proposed realignment would impact the newly constructed parking lot on campus. Jackson explained that the road would be used by students, service vehicles, buses and delivery trucks. Due to the slope of the road, there would be constant noise from vehicle acceleration. He believed the road would have a negative aesthetic and environmental impact. Jackson had attended the College Trustees' meeting and submitted what he considered a realistic alternative to address pedestrian and vehicle issues.

Mary Ann Malcolm, Duval Way, commented that she loved the rural nature of her neighborhood and was very concerned about the potential damage the realigned road would have on the creek. Foothill College had already removed oak trees for their construction project. She encouraged the City Council to assist the residents in their effort to stop the proposed loop road.

Councilmember O'Malley requested that the Santa Clara Valley Water District be advised of the project and potential danger to the creek.

Mayor Jones offered that the direction of the City Council was currently being taken by staff. The expectation was for staff to continue to keep the Council apprised of the issue and to agendize the matter if any formal direction from Council was warranted.

Councilmember Kerr commented that he had visited the site and expressed his concern that an existing pathway had been damaged during the previous construction. He believed that the College would listen to the issues the neighbors had expressed but he wanted to advise them that the most likely outcome would be a compromise.

City Manager Cahill noted that Charles Allen, Executive Director of Facilities, Operations and Construction Management, Foothill College, was in attendance. Mayor Jones thanked him for listening to the residents' comments and the expression of concern from the City Council on the issue. He noted that the Council looked forward to having a resolution to the issue and offered to assist with the process. Jones added that the College was an asset to the community but hoped that they would be sensitive to the citizens concerns about the thousands of cars that would travel daily on the proposed loop road.

PUBLIC HEARINGS

15. LANDS OF FOOTHILL COLLEGE; 12345 El Monte Road, File #152-07-CUP (APPLICANT: NEXTEL); Conditional Use Permit renewal for an existing/previously approved wireless communications facility. The facility consists of ground cabinets and eight panel antennas mounted to the parapet of the Foothill College Gymnasium and adjacent Locker Room building. Original file #227-01. No change is being proposed to the existing buildings, structures or use of the facilities. CEQA review: exempt per 15301 (a) Staff: Brian Froelich

City Council Ex Parte Contacts – None

Associate Planner Brian Froelich introduced the item to Council. The Planning Commission had reviewed the project on September 6, 2007 and unanimously recommended to extend the Conditional Use Permit for ten years.

Froelich presented a PowerPoint presentation that included: photos of the eight (8) panel antennas mounted to the parapet of the Foothill College Gymnasium and a map that identified coverage of Nextel phone and two-way radio network. He noted that Jason Osborne, NSA Wireless, was available to answer Council questions.

OPENED PUBLIC HEARING

No public comments.

CLOSED PUBLIC HEARING

MOTION SECONDED AND CARRIED: Moved by Kerr, seconded by Warshawsky and passed unanimously to approve extension of the Conditional Use Permit for the existing wireless communications facility at Foothill College/Nextel Wireless for ten (10) years subject to continued compliance with the Conditions of Approval identified in the staff report as attachment 1.

16. LANDS OF FOOTHILL COLLEGE; 12345 El Monte Road, File #151-07-CUP (APPLICANT: SPRINT); Conditional Use Permit renewal for an existing/previously approved wireless communications facility. The facility consists of ground cabinets and six panel antennas mounted to the parapet of the Foothill College Gymnasium. Original file #165-01. No change is being proposed to the existing buildings, structures or use of the facilities. CEQA review: exempt per 15301 (a) Staff: Brian Froelich,

City Council Ex Parte Contacts – None

Associate Planner Brian Froelich introduced the item to Council. The Planning Commission had reviewed the project on September 6, 2007 and unanimously recommended to extend the Conditional Use Permit for ten years.

Froelich presented a PowerPoint presentation that included: photos of the six (6) panel antennas mounted to the parapet of the Foothill College Gymnasium and adjacent locker room building and a map that identified coverage of the Sprint Wireless data and voice service that included service from neighboring sites. He noted that Jason Osborne, NSA Wireless, was available to answer Council questions.

OPENED PUBLIC HEARING

No public comments.

CLOSED PUBLIC HEARING

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by Kerr and passed unanimously to approve extension of the Conditional Use Permit for the existing wireless communications facility at Foothill College/Sprint Wireless for ten (10) years subject to continued compliance with the Conditions of Approval identified in the staff report as attachment 1.

PLANNING COMMISSION REPORT

Planning Director Debbie Pedro reported that the Planning Commission at their October 4, 2007 meeting had approved a height and setback variance for Lands of Ramberg, Sherlock Road for an addition remodel of approximately 1000 square feet.

The Commission voted 3-2 to approve the variance citing that the project property had exceptional constraints with steep slopes, heritage oak trees and an existing septic system that limited their available building area. Additionally, the proposed height variance for the addition was lower than the existing legal nonconforming building and would require minimal grading and disturbance to the site.

The Commission had also reviewed proposed changes to the Estate Home Ordinance to develop additional setback requirements for estate homes/houses over 10,000 square feet. The proposed ordinance was scheduled to return to the Planning Commission for a public hearing and then forwarded to the Council for their consideration.

UNFINISHED BUSINESS

TOWN GOALS (17A-17F)

17A. Significantly Enhance Resident Access to Recreational Facilities

- Repair and Restore Westwind Barn to sustain long term viability
- Enhance the Town Little League Fields
- Access adjacent recreational assets

Mayor Jones noted that the agenda item had been the primary focus of the September 27, 2007 Council Strategic Goal Setting Session. The identification of the recreation priorities and corresponding capital improvement budget would be considered as a public hearing at the December 13, 2007 regular Council meeting. He sought Council input on the logistics and planning of the December meeting. Council had previously approved the mailing of a Town-wide notice of the public hearing, and Jones requested Council

consideration of scheduling options. He suggested that the Bullis school upper fields, Little League fields improvements, pathways construction projects, and the Los Altos community pool be scheduled for the December meeting and Westwind Barn be the subject of a public hearing at the January meeting. Jones offered that scheduling Westwind Barn for discussion at the January meeting would permit the necessary additional time to consider the governance issue and facility improvements. Additionally, he suggested that the Westwind Community Barn Committee should have a recommendation for a project plan for the facility by the January hearing.

Vice Mayor Mordo questioned if there would be funding available for the Barn following the December 13th hearing. He suggested the second meeting in January would be a more appropriate hearing date because of the holidays if Council decided to schedule discussion of the barn for a second hearing because of the holiday schedule.

Councilmember Kerr understood Mayor Jones' concern that the Westwind Barn's proposal was not adequately developed given the presentation that was made at the Strategic Goal Setting Session. He proposed that an agenda item be scheduled for the next Council meeting to address the Barn's infrastructure and identify what was necessary, at a minimum, to correct the outstanding issues at the Barn not the restoration of the facility. He added that he would like the opportunity following the discussion at the next meeting, to refine the proposal and bring it in line with the other recreation opportunities presentations.

Kerr suggested that the topics for discussion at the October 25, 2007 meeting could include the expenditure of the cell tower revenues for the more critical improvements at the facility and a status report from the Westwind Community Barn Committee(WCBC) on the governance issue.

Mayor Jones queried if it would be helpful for the City Council to give direction to the Westwind Community Barn Committee on the ultimate product that Council was seeking for the Barn. Drawing from the previous Council discussion at the Strategic Goal Setting Session, Jones had identified the following as his proposed direction for Westwind Barn and was seeking Council input. He suggested that the City Council supported the restoration of the Westwind Barn as a historic building in Los Altos Hills. He noted that this was a goal without comment on the expenditure of public funds versus private.

Jones suggested that the improvements be focused on the following features: 1) Maintain the existing footprint of the building with no new buildings or add-ons; 2) upgrade the public bathroom; 3) upgrade the overnight accommodation – small residence quarters appropriate for one person; 4) improve the electrical and plumbing as necessary; 5) improve the lighting as appropriate and cost effective; 6) eliminate the dry-rot as much as possible; 7) beautify the building through paint and window replacements appropriate to the historic look and feel of the building; 8) upgrade the landscaping; and, 9) provide for improved public access.

He questioned if the Council wished to give direction to the Committee to work under the proposed guidelines.

Councilmember Kerr suggested that Council review Westwind Barn at the next regularly scheduled Council meeting and refine the proposal for the improvements to be considered at the December meeting. The agenda discussion on October 25, 2007 would include an opportunity for public comment.

Council concurred with the proposal and directed staff to agendize the issue for Council discussion at the October 25, 2007 meeting.

17B. Return Public Elementary School Education to Los Altos Hills

Mayor Jones thanked resident/volunteer Duncan MacMillan for his ongoing efforts on education issues in Los Altos Hills. MacMillan had closely monitored the development of the Memorandum of Understanding (MOU) between the Palo Alto Unified School District and Los Altos School District regarding intra-district transfers and had worked with the districts to improve the agreement to provide enhanced opportunities for Los Altos Hills children to choose to attend Bullis as a neighborhood school.

Jones advised that the Standing Education Committee was considering a community forum on education in early December as an informational meeting to provide parents with important updates on the Bullis campus and other education issues. The forum would be co-sponsored by the districts and the respective Superintendents would be available to answer questions.

Councilmember Warshawsky joined Jones in extending kudos to MacMillan on his lobbying efforts to resolve problematic issues with the MOU. He concurred with the plans for a Town meeting on education, noting the importance of keeping the community well informed on the important issue of the reopening of Bullis school and education programs.

Council consensus was to support the proposed education forum scheduled for December.

17C. Develop a Plan for Expanded Sewer Access to More Residents

Councilmember O'Malley reported that the Ad Hoc Infrastructure Committee was currently reviewing and developing a database of the information garnered from the sewer surveys. Approximately 800 of the 1647 mailed surveys had been returned.

17D. Maintain and Build Off and On Road Pathways Already Approved on the Pathways Master Plan

- Publish a pathways walking map
- Progress through the priorities for building and better maintaining the existing and approved pathways.

Councilmember O'Malley reported that a study session with the Pathways Committee and Council had been scheduled prior to the October 25, 2007 meeting. The draft walking map was expected to be ready for Council review in November.

17E. Complete the Redrafting and Approval of the Town General Plan

Planning Director Debbie Pedro reported that the draft Noise and Safety Elements were scheduled for public hearings at the November 1, 2007 Planning Commission meeting and the November 8, 2007 City Council meeting. Council had before them a sample of the postcard notice of the hearings. Pedro requested Council authorization to send the mailing out town-wide.

Council concurred with her request and authorized the mailing.

17E. (1) Consideration of Request for Authorization to Amend the Agreement with CSG Consultants, Inc. to Provide Consulting Services for the General Plan – Staff (D. Pedro)

MOTION SECONDED AND CARRIED: Moved by O'Malley, seconded by Warshawsky and passed unanimously to approve the amendment to the Agreement with CSG, Inc to provide consulting services for the General Plan update.

17F. Complete the Undergrounding Pilot Project

Interim City Engineer Cyrus Kianpour advised that staff was waiting for approval of the project funding by the utility. He expected to move the award of contract forward to Council in November.

18. Consideration of Amendment to the Town's Development Area Policy

Planning Director Debbie Pedro introduced the item to Council. Council had before them for their consideration an amended Development Area Policy. Council had reviewed the amendment proposal at the July 26, 2007 meeting and directed staff to return the policy to the Planning Commission for further refinement and the possibility of expanding the development credits to apply to a broader range of applications. She advised Council that an error had been identified on attachment 1 of the staff report in their agenda packet and the corrected version was before them on the dais.

Pedro reviewed the intent of the policy amendment noting that its objective was to encourage the use of semi-permeable materials for construction that were environmentally friendly and provided an alternative to conventional paving materials. Pedro proceeded with a presentation of the different materials and their corresponding development area credits and acceptable uses. The Planning Commission had recommended that credits should only be applicable to required parking, required fire truck turnarounds and required driveways. Additionally, the applicant would be required to provide the manufacturer's specifications and data for the materials being used including water absorption rate, installation procedure and maintenance requirement guidelines. Hydrologic calculations prepared by a registered civil engineer to demonstrate that post-development peak discharge value for water runoff did not exceed the existing pre-development peak discharge value of the property also were required to be granted the development credit.

Pedro provided several scenarios of the new application for development. The average development area credit for use of semi-permeable materials would be approximately 800 square feet to 1200 square feet with a maximum increase of lot coverage of 2%-4% with a lot development area coverage capped at 34%. Pedro offered that the cap would protect the natural features and rural character of the Town.

Pedro concluded her presentation by noting the Planning Commission had recommended that the proposed policy be scheduled for a public hearing with a Town-wide notice.

Council discussion ensued. Council supported the revisions that had been forwarded by the Planning Commission. Vice Mayor Mordo suggested that a public hearing on the item would be appropriate. Councilmember Warshawsky suggested that for the purpose of clarity examples be included with the proposed policy.

City Manager Cahill noted that examples/pictures would be attached to the policy as an exhibit.

OPENED PUBLIC COMMENT

Jim Abraham, Viscaino Road, commented that parts of the proposed policy were attractive but suggested that the current policy was still too restrictive and the threat of water run-off from development on sloped lots was grossly exaggerated. He favored adoption of the amendments under discussion but that the policy be revisited for additional modifications to the current limits imposed on sloped lots. Abraham was opposed to more development area being granted to flat lots.

Richard Partridge, resident, commented that he had spoken at the previous City Council review of the development area amendments and had objected to the proposal. He suggested that the revisions were an improvement and he could support their adoption.

CLOSED PUBLIC COMMENT

MOTION MADE AND FAILED: Moved by Mordo and failed due to the lack of a second, to schedule a public hearing for the proposed amendment to the Development Area Policy.

MOTION SECONDED AND CARRIED: Moved by Kerr, seconded by O'Malley and passed unanimously (5-0) to approve the Development Area Policy amendment as described in Attachment 1 of the staff report (corrected version).

Mayor Jones extended Council's appreciation to the Planning Commission for their thoughtful analysis and consideration of the proposal.

19. Consideration of Proposed Demonstration Garden by the Environmental Design and Protection Committee's and Landscape Improvements for the Emergency Operations Center (Heritage House) (Staff D. Pedro)

Planning Director Debbie Pedro introduced the item to Council. Council had before them a request from the Environmental Design and Protection Committee to install a

demonstration garden on the Town Hall property near the “solar orchard”. The Committee had selected Earthcare Landscaping to design and install the native plant garden. Council had before them a copy of the proposal and set of landscape plans. Estimated cost to install the garden was \$13,035.

Additionally, Town Hall landscape architect Tom Klope had provided gratis a separate planting plan for the Town’s Emergency Operation Center (Heritage House). The plan included the installation of plants and restoration of the path around the building. Earthcare Landscaping had submitted a proposal to incorporate the two separate plans for a total of \$28,880 for the entire project. Staff recommended approval of the contract in the amount not-to-exceed \$30,350 which included a 5% contingency.

Councilmember Kerr thanked the Environmental Design and Protection Committee for their work on the project. He supported approval of the contract, noting that it was the final piece of landscaping improvements for the new Town Hall.

OPENED PUBLIC COMMENT

Sandy Humphries, Environmental Design and Protection Committee, commented that the proposed garden would also include a water feature and the area’s purpose was to introduce visitors to native plants and to be enjoyed as a peaceful retreat.

CLOSED PUBLIC COMMENT

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by Warshawsky and passed unanimously to award the contract for landscaping design and installation services in the not-to exceed amount of \$30,350.

NEW BUSINESS

20. Annual Approval of the Town’s 2007-08 Investment Policy

Finance Director Nick Pegueros introduced the item. State law required annual review of the policy by Council. The Finance and Investment Committee in preparation of Council’s review of the policy had received a report from the Town’s investment advisors (portfolio managers) PFM Asset Management advising that California state law authorized local agencies to invest in corporate and depository institution debt securities with a maximum remaining maturity of five years or less. The securities are referenced as “medium-term notes.” The Town’s current policy did not authorize PFM to purchase medium-term notes.

The Finance and Investment Committee at their October 1, 2007 meeting had considered the amendment to the Town’s investment policy that would enable the Town to take advantage of higher interest rates provided by medium-term notes. They voted to recommend that the City Council consider amending the investment policy to authorize the portfolio managers the purchase of medium-term notes in an amount not to exceed 30% of the Town’s portfolio.

Vice Mayor Mordo provided an overview of the current investment policy. Previously, the Town's funds were invested in LAIF (Local Agency Investment Fund) similar to short term money market funds with a relatively low return. Council modified the policy several years ago to permit PFM Asset to manage the funds in a portfolio. The investment vehicles are limited by state law. Additionally, the Town had restricted investments in "corporate" notes. Mordo explained that the current market made the investment in "corporates" more attractive and suggested that longer term notes could be advantageous with the higher maturity. He noted that there could be short term losses that would be "booked" but at maturity, higher profits would be realized.

Councilmember O'Malley noted that higher interest rates had been in place prior to the engagement of the investment advisors. He concurred that longer term investments could be attractive (medium notes) if they were held to maturity. O'Malley noted that he was not comfortable with investing public funds in "corporate" notes and the added risk.

Council discussed the difference between corporate and government notes. Jones suggested that any purchase of corporate notes be restricted to AA or AAA rated notes.

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by O'Malley to approve the 2007-2008 Los Altos Hills Investment Policy to include "medium-term corporate notes" with a rating of AA or better. The investment in the medium-term notes would be limited to a maximum of 20% of the Town's portfolio and in diversified investments.

21. Consideration of Resolution Authorizing Execution of Agreement and Election to Pre-fund Other Post Employment Benefits through CalPERS

Finance Director Nick Pegueros introduced the item to Council. Pegueros reviewed the Government Accounting Standards Board (GASB) Statement No. 45 requirement that governmental agencies declare their monetary obligation to other post employment benefits (OPEB) on audited financial statements. The obligation requires that the Town calculate the total liability, amortize the liability over a period of time, and, record the unfunded liability on the balance sheets.

In preparation for the report to Council, the Finance and Investment Committee had considered several policy decisions on the issue and forwarded the following recommendations: an amortization period of twenty years, the CalPERS OPEB trust as the funding mechanism, and, an annual contribution. To calculate the amount of the contribution, the present value of the Town's obligation was identified as approximately \$2.242 million and the past unfunded accrued liability of past employees of the Town and current employees of the Town that would receive the retiree medical benefit was estimated at \$1,594 million. The current year "earned" value of benefits earned by current employees was \$78,000 with the amortized past liability of retired employees of \$125,000 for the annual contribution to the fund identified as \$203,000.

Pegueros reviewed the "next steps" if Council were to approve the recommendations from the FIC and staff. He noted that the current and previously approved budget included a cumulative appropriation of \$364,000 to fund OPEB. Additionally, the Finance and Investment Committee had recommended that the Council consider in future

budget discussions, to fully fund the liability to take full advantage of the rate of return in the CalPERS portfolio. Pegueros noted that the proposal also included a recommendation that the actuarial report be revisited by the City Council in three years to review the policy assumptions that had been made.

Vice Mayor Mordo clarified that there was no requirement to fund the obligation only to present the monetary obligation on audited financial statements. However, the funds would have a better rate of return if invested in the CalPERS OPEB trust. He added that Council in the future may want to accelerate funding of the liability given the high rate of return.

Mayor Jones offered that the recommendation was a creative way to address the Town's liability.

In response to a Council query, Pegueros explained that there was a three year commitment if the appropriation were to be deposited in the fund. If Council should elect, the funds could be withdrawn in three years and deposited in an alternative funding vehicle for the irrevocable trust. \$364,000 was the amount of the initial contribution to the fund.

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by O'Malley and passed unanimously to accept the actuarial study completed by Bartel & Associates using policy recommendations of the Finance and Investment Committee and to authorize the Mayor to execute the agreements necessary to fund the Town's other Post Employment Benefits (OPEB) obligation with the CalPers OPEB Trust fund. Resolution No. 80-07

22. Consideration of Resolution Adopting a Section 125 Flexible Spending Program for Employee

Vice Mayor Mordo introduced the item. He offered that the agenda item addressed the problem of the "ever-increasing" cost of retiree medical benefits. During a previous review of options, Council had voiced their opposition to being the first agency to eliminate health benefits. Mordo clarified that the proposal before Council would not affect nor take away any benefits of current retirees or current employees who retire from the Town. The plan would reduce future claims on the Town by future employees.

Finance Director Nick Pegueros explained that the proposal to establish a cafeteria plan for employees' benefits would minimize the Town's OPEB obligation and eliminate a loop hole that allowed an employee to retire from the Town with full retiree benefits after a short term employment. Additionally, he suggested that the proposed compensation plan would assist in the recruitment and retention of quality personnel.

Pegueros reviewed the proposed flexible spending/cafeteria plan with Council. Flex dollars would be provided to employees to spend on medical benefits or a cash incentive to "opt-out". Establishing the new compensation plan would allow the Town the ability to create a two tier structure for benefits. They would include: 1) the current employees and current employees who retire from the Town that would be entitled (grandfathered) to receive retiree medical benefits on parity with active employee medical benefits; and

2) employees hired after October 11, 2007 would only be entitled to the minimum required retiree health benefit of \$97 per month.

Councilmember O'Malley noted that it was important to be non-biased with recruitment going forward to ensure diversity and that there was no misunderstanding of the two tier benefits.

Council questioned if staff believed the proposal would affect hiring or retaining employees. City Manager Cahill responded that the proposal would not be a deterrent to recruitment and noted that there were no actual changes proposed to the current staffs' benefits. If staff began to observe a problem, they would propose a full compensation study.

Vice Mayor Mordo explained that the proposal called for current retirees and future retirees hired before October 11, 2007 to receive \$97. in medical benefits and a reimbursement check from the Town to make up the difference in the cost of their medical benefits. The employees hired after October 11, 2007 would also receive the \$97 but not the reimbursement. The \$97 would allow them to participate in the CalPERS medical benefits program.

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by O'Malley and passed unanimously to approve Resolution No. 81-07 adopting a Section 125 Flexible Spending Program for Employee Benefits beginning January 1, 2008.

23. Consideration of Resolution Fixing the Employer's Contribution Under the Public Employees' Medical and Hospital Care Act

Finance Director Nick Pegueros offered that the item before Council formally adopted the new premium cap of \$97 for the 2008 Health Benefit Year and was a companion item to the previously approved compensation resolution.

MOTION SECONDED AND CARRIED: Moved by Mordo, seconded by O'Malley and passed unanimously to adopt Resolution No. 82-07 fixing the employer's contribution under the public employees' medical and hospital care act.

24. Consideration to Waive Building Permit Fees of Structures that are Deconstructed for Recycling Purposes

Planning Director Debbie Pedro introduced the item to Council. The item before Council was a proposal to waive the demolition permit fee for deconstruction of buildings. The purpose of the fee waiver was to incentivize applicants to deconstruct rather than demolish the existing structures during the building process. Pedro explained that the process of deconstruction was a green building technique that helped to minimize the negative impacts to the natural environment. Buildings are dismantled carefully in order to salvage as much of the materials as possible. Benefits included: the recycling of building materials for resale; the reduction of construction waste sent to landfills; and, the preservation of natural resources by reusing salvaged building materials. In 2007, two deconstruction permits had been issued by the Town at an average cost per permit of

\$296. Pedro estimated the annual revenue reduction associated with the fee waiver would be in the range of \$500-\$1,000.

Mayor Jones noted that the process was a useful tool but could require considerable time and careful planning. He suggested that the permits be issued with adequate time prior to the issuance of the building permit.

City Manager Cahill suggested that the approval for a deconstruction permit could be governed administratively.

Pedro noted that if the Council wished to move forward with the proposed fee waiver, staff would prepare a resolution and return the item for Council consideration at the next meeting.

MOTION SECONDED AND CARRIED: Moved by Warshaswky, seconded by Kerr and passed unanimously for staff to move forward with the process to garner approval of the proposed waiver of fees for deconstruction permits.

25. Consideration of Holiday City Council Meeting Schedule and Cancellation of Regularly Scheduled Meeting(s)

MOTION SECONDED AND CARRIED: Moved by Jones, seconded by Mordo and passed unanimously to cancel the November 22, 2007 and December 27, 2007 regularly scheduled Council meetings.

26. Consideration of Date for Joint City Council and Planning Commission Study Session

Following a brief discussion, Council consensus was to schedule the Joint meeting with the Planning Commission for a date yet to be determined in February. Meeting would be scheduled prior to a regularly scheduled Council meeting.

27. Memo on Meeting Agenda Process

Continued to the October 25, 2007 City Council meeting.

REPORTS FROM COMMITTEES, SUB-COMMITTEES, AND COUNCILMEMBERS ON OUTSIDE AGENCIES

No reports.

STAFF REPORTS

City Manager-none
City Attorney-none
City Clerk-none

ADJOURNMENT

There being no further business, the meeting was adjourned at 10:00 p.m. by consensus of the City Council.

Respectfully submitted,

Karen Jost
City Clerk

Minutes of the October 11, 2007 City Council meeting were approved as corrected at the October 25, 2007 regular City Council meeting.