

**MINUTES OF A REGULAR MEETING
OF THE CITY COUNCIL OF THE CITY OF
PALOS VERDES ESTATES, CALIFORNIA**

January 24, 2012

A regular meeting of the City Council of the City of Palos Verdes Estates was called to order this day at 7:30 p.m. in the Council Chambers of City Hall by Mayor Rea. The Pledge of Allegiance followed.

ROLL CALL: Council Members Humphrey, Perkins, Goodhart, Mayor Pro Tem Bird, and Mayor Rea

ABSENT: None

ALSO PRESENT: City Manager Smith, Police Chief Dreiling, Public Works Director Rigg, City Treasurer Sherwood, City Attorney Hogin, Asst. to City Manager Davis, Executive Asst./Deputy City Clerk Kroneberger

CEREMONIAL MATTERS

- **SWEARING-IN OF POLICE OFFICER KYLE SHEA**

Police Chief Dreiling introduced Police Officer Kyle Shea, who graduated from the Los Angeles County Sheriff's Academy Class #384, finishing in the top three of his class. Chief Dreiling administered the oath of office to Officer Shea. Officer Shea's father, Mark Shea, pinned on his badge. Officer Shea introduced his family, who flew in from Boston for the occasion.

MAYOR'S REPORT – Matters of Community Interest

Mayor Rea reported that Police Chief Dreiling has announced his retirement effective March 31st and that he will continue to serve as Chief, on an interim basis, upon his retirement.

Mayor Rea reported that another power outage occurred this past weekend and reminded residents they can visit the City website (www.pvestates.org) to access Southern California Edison (SCE) claim forms for damage that may have been caused by the outage, and Public Utilities Commission (PUC) complaint forms.

CONSENT AGENDA

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It was moved by Councilmember Goodhart, seconded by Mayor Pro Tem Bird, and unanimously approved that the following Consent Agenda items be approved, except Item 6b; January 9th Parklands Application PC-338-11; (Councilmember Perkins recused):

- WAIVE FURTHER READING OF ORDINANCES CONSIDERED FOR INTRODUCTION ON FIRST READING OR ADOPTION ON SECOND READING
- CITY COUNCIL MINUTES OF JANUARY 11, 2012
- TREASURER'S QUARTERLY INTEREST REPORT – OCTOBER-DECEMBER 2011
- APPROVE AMENDMENT TO PROFESSIONAL SERVICES AGREEMENT WITH KIBEL GREEN, INC.
- SPECIAL EVENT APPLICATION FOR HABITAT FOR HUMANITY OF GREATER LOS ANGELES CHARITY BIKE RIDE ON APRIL 21, 2012
- PARKLANDS COMMITTEE MEETING ITEMS OF JANUARY 9, 2012

PC-337-11; Application to remove 1 Coral tree located in the parkway adjacent to 541 Palos Verdes Drive West

Applicant: Barbara Thorne

Approved.

PC-338-11; Application to remove 1 Canary Island pine tree located in the parkway adjacent to 1733 Via Boronada

Applicant: Ron and Kari Rothstein

Action: Approved.

- PLANNING COMMISSION ACTIONS OF JANUARY 17, 2012

CDP-86-11; Consideration of a Coastal Development Permit Application requesting after-the-fact approval of two rear yard decks at the single family residence located at 605 Paseo Del Mar. Lots 2, 3 & portion of B & C, Block 1414, Tract 6886.

Owner: Desire Meli Kocarslan

Action: Denied.

CDP-87/NC-1434/M-841-11; Consideration of Coastal Development Permit, Neighborhood Compatibility and Miscellaneous Applications for additions and remodeling to the single family residence located at 261 Rocky Point Road. Lot 12, Tract 17606.

Owner: Mr. & Mrs. John Whitcombe

Action: Approved with conditions.

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CDP-89/NC-1435-11; Consideration of Coastal Development Permit and Neighborhood Compatibility Applications for a new single family residence located at 801 Paseo Del Mar. Lot 3, Block 1532, Tract 6886.

Owner: Mark & Beth Saroyan

Action: Approved with conditions.

NC-1429/M-835-11; Consideration of Neighborhood Compatibility and Miscellaneous Applications for a new single family residence located at 2828 Via Neve. Lot 10, Block 2236, Tract 7144.

Owner: Paul Turpanjian

Action: Approved with conditions.

M-843-11; Consideration of a Miscellaneous Application for a non-standard encroachment at the single family residence located at 2921 Via Alvarado. Lot 14, Block 2236, Tract 7144.

Owner: Larry Manth

Action: Approved.

M-846-11; Consideration of a Miscellaneous Application for structures exceeding the maximum allowable height at the single family residence located at 1801 Via Estudillo. Lot 1, Block 1391, Tract 6889.

Owner: David Batty

Action: Approved.

COMMUNICATIONS FROM THE PUBLIC – No one came forward to speak.

OLD BUSINESS

NEW BUSINESS

PW-577-11; AWARD OF CONTRACT FOR CONSTRUCTION OF THE ROCKY POINT ROAD SEWAGE PUMP STATION PROJECT

Director Rigg requested continuance of this item due to late hour concerns raised by L.A. County Dept. of Public Works, which maintains and operates the City's pump stations, relating to the equipment specified by the bidding contractor. He said further investigation of these concerns is warranted.

With concurrence of Council, this item was continued for consideration at a future date.

PW-585-11; AWARD OF CONTRACT FOR CONSTRUCTION FOR THE FY 11-12 PEDESTRIAN PATHWAY IMPROVEMENT PROJECT

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Director Rigg reported, upon input from the Parklands Committee, City homeowners associations, and residents, projects were identified and approved by the Parklands Committee and the City Council. The City then entered into a grant agreement with the County for projects that include refurbishment to the Via Victoria Path (est. \$28,900) and trail way reestablishment at various locations (est. \$68,000). Combined, there are 4 areas (Paseo Lunado, Via Arriba, and Chino, and Via Chico) where concrete stairs with anodized aluminum handrails are proposed. The City received 5 bids; the two lowest bids received, which met the original cost estimates, were withdrawn by the bidders citing clerical errors. Director Rigg said G Coast Construction submitted the 3rd lowest bid in the amount of \$138,320, and they have completed similar projects for other municipalities with fairly positive reviews. The bid exceeds the available project grant budget of \$96,200. He said cost estimates for the stairways projects were arrived at using similar 2001 projects and applied a 3% escalation factor per year. He said Council would need to allocate funding from the City's unobligated capital improvement reserves to fund the cost gap. He said the other monies allocated within this grant have been spent. He said the Chino and Via Chico stairways could be eliminated to more closely match the grant funding; bringing the cost down to \$106,720, although it does not accomplish the project goals. Director Rigg reviewed Council's alternatives and if Council opts to rebid the contract, he stated the grant funds need to be expended by June 30, 2012; there is sufficient time to accomplish the project within the required timeline.

Councilmember Humphrey confirmed with staff that \$96,200 in grant funds remain available from the \$150,000 grant received and there are sufficient funds in an unobligated capital reserve fund that can be allocated to the project should Council so desire.

Councilmember Perkins confirmed with staff that the clerical errors of the withdrawn bids were due to computational errors. She asked why we might expect lower bids if the project is rebid.

Director Rigg said they have faith in the cost estimates and other contractors that were unavailable when the project was originally bid may now be available; Council could also modify the scope of the project if the bids are rejected.

MPT Bird confirmed with staff that bids were received on December 16, 2011, and confirmed with staff that the timing might play a part in receiving lower contractors' bids due to more favorable weather conditions.

Councilmember Humphrey stated concern that rebidding with no modifications may result in similar bids.

Councilmember Goodhart confirmed with staff that they concluded that the withdrawn bids would have been higher upon correction.

Councilmember Goodhart confirmed that the Via Chico wooden stairway needs replacement due to recent partial failure, and wooden stairways do not last over time.

Mayor Rea confirmed with staff that the deadline to spend the grant funds is June 30th; the work must be completed. Director Rigg confirmed that rebidding requires minimal time and cost, and they could expect to return to Council by the 2nd meeting in February. Mayor Rea asked what portion of the

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project could be accomplished if they determine not to exceed expending the awarded grant funds. Director Rigg said additional funds would need to be allocated because the two large projects combined would exceed the grant amount; one of the two large projects (Paseo Lunado or Via Arriba path) could be done with both of the small stairway projects.

Councilmember Perkins confirmed with staff that, if rebid, the results would be in after Council's first budget meeting.

The following residents spoke in support of retaining all pathway projects as previously bid, rebidding the contract, and Council's support if additional funds are needed to complete the projects:

Ried Schott, [resident]
Bruce Geernaert, [resident]
Susan Chang, [resident]
Margaret McCarthy, [resident]

Councilmember Humphrey favored pursuit of all 4 projects and rebidding the contract.

Councilmember Perkins said the windfall of the Knabe grant was exciting and wonderful but money that is unobligated comes with a different kind of feeling to it than when they are looking at the City's budget. They try to make good conservative fiscal choices. She said the City is in good fiscal health, but there is a decline in the increase of our property tax and similar revenues, which makes her want to take a fairly conservative approach to doing any budget adjustments. They will be looking at their overall priorities when discussing the coming year's budget; additional funds may be identified to refurbish additional paths, but she was concerned about spending the difference needed out of unobligated capital fund monies. She supported rebidding, seeing what results, and then to discuss whether or not those funds should be used to bridge a gap after they have looked at the entire budget process. She was not sure they would want to spend much more of our own money towards projects without seeing the big picture.

Councilmember Goodhart supported revitalization of our trail system throughout the City, and he appreciated the efforts of the Malaga Cove Homeowners Association in working with staff to prioritize and helping to identify specific projects. Having limited funds, we have to be specific about what projects we select.

Councilmember Goodhart voiced his concerns about the work schedule and asked what type of weather would delay completion. Director Rigg said this type of work can be done when there is moisture, but it depends on the extent of rainfall. Councilmember Goodhart confirmed with Director Rigg the work should be done approximately one month later than previously scheduled if rebid. Councilmember Goodhart was concerned that the work may not be completed in time.

MPT Bird said the \$150,000 grant money was a surprise windfall, the projects were identified quickly with the community and Parklands Committee's input, and he supported keeping the project list intact. He said there is time to complete the project by June 30th, even if work is delayed into mid-May due to weather. He supported rebidding the project, keeping the four projects intact, and felt we could get lower numbers. By that time, Council will have had a budget meeting and they will have a better idea

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in terms of whether they want to allocate more money, if necessary. He had faith in the staff's estimate and expected rebids to come in accordingly.

Mayor Rea also favored doing all four projects, but they hadn't discussed the economies of scale involved with bidding all four projects as one, as opposed to breaking them up. It will end up costing more money in the long run. He said Council also hadn't had the opportunity to discuss their priorities as to how money will be spent from the unobligated capital improvement reserves. There are other possible uses for that money, such as completing the City entrances, which are seen by thousands of people every day; Granvia Altamira and Montemalaga entrances have not been completed. He said another possibility is replanting our urban forest; the tree bank is barren. These are all good, but they must discuss priorities and determine which is the more urgent project. He supported rebidding, it seems reasonable that the work could be completed by the grant deadline; it is the prudent thing for them to do.

Councilmember Perkins asked if it is appropriate to impose a penalty on the contractor if the work cannot be completed in time. Director Rigg deferred to the City Attorney, but noted that there is a significant amount of time within the contract schedule and he hoped to match the April 20th final date, which provides an additional two months to work with, even if there are weather delays.

Councilmember Perkins said she appreciated the amount of work the MCHA has done on the paths and trails, which she walks, and she was delighted to see the comprehensive plan. She spoke of her involvement, with Councilmember Goodhart, in discussions on sustainable communities and the desire to put in place walkable trails and paths to help our community use them more fully.

Mayor Rea stated his concern, with consensus of Council, relative to adding penalty language because it may push up some bids and deter others from bidding.

On motion of Councilmember Humphrey, seconded by Councilmember Goodhart, Council rejected all bids and staff was directed to rebid the project, without modification, and was approved by unanimous oral vote.

COMPREHENSIVE ANNUAL FINANCIAL REPORT FOR THE PERIOD ENDING JUNE 30, 2011 AND FISCAL HEALTH REPORT 2001-2011

City Manager Smith reported that the comprehensive annual financial report (CAFR) covers the results of City operations for the Fiscal Year 2010-11, which ended June 30, 2011, prepared by the Finance Department with assistance of the City's auditors, Lance Soll Lunghard (LSL) LLP and distributed to Council last December. The City's Audit Committee (Mayor, Mayor Pro Tem, City Treasurer and staff) met last week with the auditors to review the financial report, the auditors' conduct of the audit, and their findings. The City's auditors issued a "clean" (unqualified) opinion.

City Manager Smith explained that the CAFR is prepared using a financial reporting model that is dictated by the Governmental Accounting Standards Board (GASB). She stated that the audit's transmittal letter, Management Discussion and Analysis (beginning on page 3 of the audit) and the

Fiscal Health Report transmittal letter provides an interested reader an overview of the most pertinent financial information.

City Manager Smith reported the good news that the City is solvent; we are in very good financial condition. Although we have 4 major funds and 9 minor funds in the report; the results are focused on the General Fund, which finances most of the City's non-capital operations.

For FY10-11, City Manager Smith said the General Fund had revenue of \$10.6 million, with expenditures of \$10.4 million, which includes a Council approved lump sum payment of \$1.2 million towards the safety retirement plan side fund liability. The general fund balance on June 30, 2011, stood at \$9.3 million and the City Council has designated \$7.2 million as a committed fund balance for emergencies and can only be accessed under certain specific criteria.

Both the audit and the Fiscal Health Report are available on the City's website.

City Manager Smith explained the Fiscal Health Report provided rated factors– “favorable”, “stable” or “unfavorable” which show a trend over time. The only factor that is rated “unfavorable” currently is the growth in assessed values. This is important because property taxes represented 52% of our General Fund revenue; that alone does not cover the cost to operate our Police Department. Growth in assessed values translates into a corresponding increase in property tax revenue. Under Prop 13, she said the maximum annual increase is capped at 2%. Any growth over and above that is a result of transfers of property that are reassessed. From 2001 to 2007, we had increases annually in excess of 6%, until the collapse of the housing market in 2007. In 2011, we actually had a negative assessed value growth applied citywide at -0.37%; there was a negative CPI factor under the Prop 13 adjustment. For current FY11-12, the City's assessed value is increased 2.37%. Most experts do not expect to see any significant improvement in assessed value increases until at least 2014-15.

Revenues and Expenditures per Capita show whether the City's ability to fund services are keeping up with its population increase. Ironically, in 2011, there was a 4% (~-600) decline in the City's population as a result of the 2010 Census. It improves the per capita figure for 2011 and it shows we are taking in more revenue per capita than we are spending, which is shown as a General Fund surplus.

City Manager Smith stated that personnel costs are rated as “stable” – Council has taken steps to control personnel costs both in salaries and benefits. For the last two years, there were no salary increases granted to staff and Council also took steps to limit its future obligations for medical insurance payments. The trend line went up somewhat because overall General Fund expenditures for 2011 were \$200,000 lower than 2010.

Councilmember Humphrey asked why “watch” is included. Manager Smith explained that they want to be sure we're aware of the impact of what personnel costs have on the City budget; benefits are also rated “stable/watch” as well. She said we are below 30% as a total cost for personnel because retirement costs have moderated.

The Council has a policy to maintain a General Fund balance at 50% of the next year's total operating budget.

City Manager Smith said we have one remaining payment for the pension side fund liability that could be made this year to completely eliminate that fund; the last number provided by PERS was \$961,000; however, she has asked for an updated balance.

Councilmember Goodhart commented that CalPERS reported that their return, as reported in the L.A. Times, was ~ 1+% and asked how it would impact us in the coming years. City Manager Smith said CalPERS amortizes and smooths their losses and their gains; the effect of that will be 3 years out. The valuations are 3 years behind the contribution year; what we are paying in FY12-13 is based on valuations for the year ended June 2010.

She concluded that the City's operating position, which shows whether we're operating at a surplus or a deficit, is that we are spending less than what we take in, which reflects our general operating surplus.

Mayor Rea thanked City Manager Smith.

Councilmember Humphrey said the graphic presentation is very helpful.

Councilmember Perkins extended her appreciation of the fine work staff does. It is a wonderful affirmation of the work the City Manager and her staff has done to have such a clean audit and to have that reflected with the new auditor.

Councilmember Goodhart said the zero growth in assessed values tells him that they still have to be very prudent on a go-forward basis. We still have some cost increases we have to face, so they have to be very careful about considering any extraordinary expenditures. He thanked staff.

On motion of Councilmember Humphrey, seconded by Councilmember Goodhart, the City Council unanimously received and filed the Comprehensive Annual Financial Report for the period ending June 30, 2011 and the Fiscal Health Report of 2001-2011.

STAFF REPORTS

CITY MANAGER'S REPORT

F12-003

- Mid-Year Update – FY 2011-12 Major Projects List

City Manager Smith said while the budget is a major component of what the City does in a year, this is the actual work program and plan reflected in the budget. At the mid-year point, she highlighted completed projects within the first 6 months, which included the adoption of the personnel rules in September. All the review of the Municipal Code has been completed, and we are ready to move into the final process for recodification. We have successfully completed 33 of the 34 parklands encroachments, and the final encroachment has an application pending before the Planning

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Commission. We have recruited and hired 3 officers and 2 service officers in the Police Department, and we've complete all the capital equipment purchases that were outlined for this year in both Police Department and Streets and Parks. A major project is continuing to support DDP and the PVE-CARES program. She said the reports indicates a couple added items; an administrative staff reorganization was completed in September, which resulted in 1.5 fewer staff positions with savings of \$167,000. City Manager Smith said we are also engaging a vendor to provide City Council meetings and agenda process for the web, which will also provide a digital audio access to the Council meetings. Under the direction of the City Attorney as staff liaison, the Council has undertaken a review of the City properties of both the Bluff Cove homes and the Gate House. A survey and cost analysis is being conducted for service deliveries for Building, Planning and Public Works. Lastly, Manager Smith reported that the projects associated with the Knabe grant were added and the Planning Department has undertaken an update of the City's Hazard Mitigation Plan, which is required by FEMA.

Not written in the report, City Manager Smith stated that staff has undertaken a comprehensive review of safety on Via Del Monte from Granvia Altamira to Via Campesina. In the interest of improving safety, staff and the traffic engineer have reviewed warrants and the criteria for installing additional stop signs at various intersections, which shall be presented at the Traffic Safety Committee meeting in February, then to Council.

Mayor Rea asked for the timeline regarding digitizing our Council process to achieve a paperless agenda. City Manager Smith said she would be presenting a budget issue paper for the equipment side of the process; we'd like to take it one step at a time as far as understanding how the agenda preparation process works, getting those documents in place, and then having them available in a paperless format. She hoped this would be accomplished by July.

Mayor Rea asked if an outside technology consultant is warranted to guide us through this process. City Manager Smith explained that the agenda will be available on our website, although hosted on the vendor's site at a separate location, which is much like our Municipal Code. We do have a contract IT individual, we are already set up with a wireless network within City Hall that Council and staff would be able to access in viewing the agenda. The device, or tablet to be used, has to be determined to access the information and perhaps some connectivity issues must be determined; she did not view this as a very complicated project.

City Manager Smith said a tablet device would be provided to source the information digitally, but paper packets will also be made available when desired.

DEMANDS

It was moved by Councilmember Perkins and seconded by Councilmember Humphrey that the demands, as approved by a majority of the City Council, totaling \$229,711.14 be allowed and it was unanimously approved.

It was moved by Councilmember Perkins and seconded by Councilmember Humphrey that the demands, as approved by a majority of the City Council No. 520917H to 520919H, 520930 to 521000 totaling \$594,228.24 be allowed and it was unanimously approved.

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MAYOR & CITY COUNCILMEMBERS' REPORTS

Councilmember Humphrey congratulated Councilmember Goodhart for his appointment as Secretary/Treasurer of the PVP Transit Authority.

Mayor Pro Tem Bird reported on the retirement of Stephen Maguin, Chief Engineer and General Manager of the County Sanitation Districts of Los Angeles County.

Councilmember Goodhart reported on his attendance at the retirement luncheon for Community Relations Officer Laurie Slawson; his participation in the League of California Cities New Mayors and Council Members Academy January 17-19 in Sacramento; and his attendance at the Environmental Policy Committee meeting. As a member of the Palos Verdes Breakfast Club, Councilmember Goodhart also acknowledged the presentations made by Mayor Rea and City Manager Smith at their meeting of January 21st.

ADJOURNMENT

There being no further business before Council, Mayor Rea adjourned the meeting at 8:50 p.m. to Tuesday, February 14, 2012, in Council Chambers of City Hall for the purpose of a Regular Meeting.

RESPECTFULLY SUBMITTED,

**VICKIE KRONEBERGER,
EXECUTIVE ASSISTANT/DEPUTY CITY CLERK**

APPROVED BY:

WILLIAM JOHN REA, MAYOR

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