

June 8, 2010
6:30 P.M.
Council Chambers of City Hall
340 Palos Verdes Dr. West
Palos Verdes Estates

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

Copies of the staff reports or other written documentation relating to each item of business referred to on the agenda are on file in the office of the City Clerk and are available for public inspection. If applicable, materials related to an item on this agenda submitted to the Council after distribution of the agenda packet are available for public inspection in the City Clerk's office during normal business hours. Any person having any question concerning any agenda item may call the City Clerk to make inquiry concerning the item. Upon request, the agenda and documents in the agenda packet can be made available in appropriate alternative formats to persons with a disability in compliance with the Americans with Disabilities Act. Please contact the City Clerk at 310-378-0383, at least 48 hours prior to the meeting to request a disability-related modification or accommodation.

The City Council welcomes and encourages public participation at the Council meetings; however, to allow for the orderly progression of business, each person wishing to comment or make a presentation shall be limited to three (3) minutes. Anyone wishing to address the City Council must fill out a green speaker's card available at the end of each row in the Chambers. The card permits the City to identify persons for purposes of City Council minute preparation. Please see specific agenda sections below for any other requirements related to meeting participation. The City Council, at the direction of the Mayor with concurrence of the Council, may modify the order of items shown on the agenda.

**NEXT RESOLUTION NO. R10-07
NEXT ORDINANCE NO. 10-697**

CALL TO ORDER

PUBLIC COMMENT ON CLOSED SESSION ITEM(S)

CLOSED SESSION (6:30 p.m. – 7:30 p.m.)

This time has been set aside for the City Council to meet in a closed session to discuss the matter listed below pursuant to Government Code Section 54957.6. The Mayor or City Attorney will

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give an additional oral report regarding the closed session at the beginning of the regular City Council meeting.

• CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code Section 54957.6

Agency designated representatives: City Manager Hoefgen, Administrative Analyst Davis, Attorney Scott Tiedemann

Employee Organizations: Palos Verdes Estates Public Service Employees, Palos Verdes Estates Police Officers Association

At the conclusion of the Closed Session, the Council may continue any item listed on the closed session to the Open Session agenda for discussion or to take formal action as it may deem appropriate.

PLEDGE OF ALLEGIANCE

ROLL CALL

MAYOR'S REPORT – Matters of Community Interest

CONSENT AGENDA (Items 1-6)

All items under this heading are considered to be routine and will be enacted by one motion, unless a Councilmember, staff, or member of the public requests that an item be removed for separate discussion. Any item removed from the Consent Agenda will be considered immediately following the motion to approve the Consent Agenda.

1. Minutes of City Council Meeting of May 25, 2010

Recommendation: Review and File.

2. Treasurer's Report – May 2010

Recommendation: Receive and File.

3. Mandatory Review – Conflict of Interest Code

Recommendation: It is recommended that the City Council receive and file the report as fulfilling the requirements of Government Code Section 87306.5 and authorize the City Manager to sign the attached declaration.

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4. PW-567-09; Reject All Bids for the Paseo Del Mar Sewer Pump Station Project

Recommendation: It is recommended that the City Council reject all bids for the construction of the Paseo Del Mar Sewer Pump Station Project and direct staff to re-bid the project.

5. Special Event Application and Posting of Patriotic Signs for the Palos Verdes Independence Day Celebration on Sunday, July 4, 2010, at Malaga Cove School Grounds

Recommendation: It is recommended that the City Council approve the Special Event Application for the 49th Annual 4th of July Celebration at the Malaga Cove School grounds, allow the Celebration Committee to post promotional signs at the two City-permitted locations one week prior to the event, and to place flags at each promotional sign.

6. Special Event Application for the Lunada Bay Homeowners Association “Summer Concerts in the Park” at Lunada Bay Park

Recommendation: It is recommended that the City Council approve the Special Event Application by the Lunada Bay Homeowners Association to hold “Summer Concerts in the Park” at Lunada Bay Park on July 15th, July 22nd, and August 12th, 2010 from 6:00 pm to 8:00 pm and approve the posting of promotional signs for all concerts at both permitted locations one week prior to the activity.

COMMUNICATIONS FROM THE PUBLIC

This portion of the agenda is reserved for comments from the public on items which are NOT on the agenda. Due to state law, no action can be taken by the Council this evening on matters presented under this section. If the Council determines action is warranted, the item may be referred to staff or placed on a future Council agenda.

PUBLIC HEARINGS – 7:30 p.m.

All persons addressing the City Council shall be limited to three (3) minutes for comment.

7. Resolution R10-06 Approving the Annual Report and Setting the Rate for the Sewer User Fee to Finance the FY 10-11 Program of Sanitary Sewer Improvements

Recommendation: It is recommended that the City Council open the public hearing in accordance with Health & Safety Code Section 5470, receive public input, close the public hearing and adopt Resolution R10-06; approving the Sewer User Fee Annual Report, prepared in accordance with Ordinance No. 03-649, establishing the sewer user fee rate for the FY 10-11 sanitary sewer improvement program.

8. Presentation of the Fiscal Year 2010-11 City Budget

Recommendation: It is recommended that the City Council open the public hearing, receive public input, close the public hearing, approve any additional budget adjustments, and direct staff to finalize the FY 2010-11 budget for adoption.

OLD BUSINESS

NEW BUSINESS

9. Review and Approval of Palos Verdes Beach and Athletic Club FY 2010-11 Operating and Capital Budgets

Recommendation: It is recommended that the City Council approve the FY 2010-11 Palos Verdes Beach & Athletic Club operating and capital budgets.

STAFF REPORTS

10. City Manager's Report

DEMANDS

11.
 - a. Authorize Payment of Motion #1– Payroll Warrant of May 28, 2010
 - b. Authorize Payment of Motion #2 – Warrant Register of June 8, 2010

Recommendation: Authorize Payment of Motions #1 and #2.

MAYOR & CITY COUNCILMEMBERS' REPORTS

RECESS TO CLOSED SESSION

This time has been set aside for the City Council to meet in a closed session to discuss the matter listed below pursuant to Government Code Section 54956.9 (c). Based on the advice of the City Attorney, discussion in open session concerning the litigation matters would prejudice the position of the city.

CONFERENCE WITH LEGAL COUNSEL

Initiation of Litigation per Government Code Section 54956.9 (c)

Number of Potential Cases: 1

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RECONVENE TO OPEN SESSION

ADJOURNMENT TO TUESDAY, JUNE 22, 2010, 5:00 P.M. IN COUNCIL CHAMBERS OF CITY HALL FOR THE PURPOSE OF CITY COMMISSION/COMMITTEE APPLICANT INTERVIEWS.

- *This City Council meeting can be viewed on Cox Cable, Channel 35, Wednesday, June 9, 2010 at 7:30 p.m., and Wednesday, June 16, 2010, at 7:30 p.m.*

TO: JOSEPH HOEFGEN, CITY MANAGER
FROM: JUDY SMITH, ASSISTANT CITY MANAGER
SUBJECT: MANDATORY REVIEW - CONFLICT OF INTEREST CODE

Issue

Shall the City Council accept this report reviewing and confirming the City’s Conflict of Interest Code for designated employees?

Background and Analysis

The Political Reform Act (Govt. Code Sections 81000-91015) provides that “no public official at any level of state or local government shall make, participate in making, or in any way attempt to use his official position to influence a governmental decision in which he knows or has reason to know he has a financial interest.” The Act requires every person who makes or participates in decisions related to City business to disclose financial interests, which may in turn have a material effect on their personal financial holdings. Economic interests are disclosed by filing a Form 700 – Statement of Financial Disclosure. All elected officials, in addition to Planning Commissioners and the City Manager, City Treasurer and City Attorney are required by the Government Code to file the Form 700.

The purpose of the City’s Conflict of Interest Code, is to include by position title, “designated City employees” who are also subject to provisions of the Political Reform Act and required to file a Form 700. Designated City employees include the following positions: Assistant City Manager, Police Chief, and the City’s on-site representative of Charles Abbott Associates.

Government Code Section 87306.5 requires that the City perform a review of its Conflict of Interest Code every two years to determine if modifications to the list of designated employees is required. Staff has conducted such a review and finds that no changes are necessary.

Alternatives Available to the City Council

1. Receive and file this report.
2. Direct staff to include other City personnel on the designated employees list.

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Recommendation

It is recommended that the City Council receive and file this report as fulfilling the requirements of Government Code 87306.5 and authorize the City Manager to sign the attached declaration.

TO: JOSEPH M. HOEFGEN, CITY MANAGER

FROM: ALLAN RIGG, PUBLIC WORKS DIRECTOR

SUBJECT: PW 567-09; REJECTION OF ALL BIDS FOR THE PASEO DEL MAR SEWER PUMP STATION PROJECT

DATE: JUNE 8, 2010

Introduction

Should the City Council reject all bids for PW 567-09, the Paseo Del Mar Sewer Pump Station Project?

Background and Analysis

In accordance with the Sewer Master Plan, the City retained AKM Consulting Engineers to design the necessary improvements and upgrades for the City's two sewer pump stations, one at the Paseo Del Mar/Via Barri intersection, and a second at 225 Rocky Point Road.

The Paseo Del Mar Pump Station was constructed in 1962 and suffers from inadequate storage capacity, poor dry well access, lack of an emergency power source, and pump station components which do not meet current safety standards. AKM recommended that a new submersible pump station be constructed and that the existing pump station dry well be converted to an emergency wet well. Other deficiencies were also addressed in their plans and specifications for the upgrade of the pump station.

Staff advertised with Bid America, F. W. Dodge, and Reed Construction Data. Construction bids were opened May 10, 2010, at 10:30 a.m. The results were as follows:

Environmental Construction, Inc.	\$1,479,640.61
Schuler Engineering Corp.	\$1,523,965.00
SCW Contracting	\$1,798,890.00
HPS Mechanical, Inc.	\$1,805,060.00
Clarke Contracting Corp.	\$1,892,650.00

Environmental Construction, Inc. submitted the apparent low bid for the project. Staff checked the bid documents and references for the two lowest bidders. The low bidder has undertaken projects related to school and park improvements, and the company has completed projects that involve water treatment plants and gas extraction systems in the last two years.

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Due to Environmental Construction’s relative inexperience with sewer pump station projects, it is in the City’s best interest to reject all bids and then re-bid with a required minimum experience for similar projects, in order to ensure that the contractor hired for this estimated \$1.5 million project has had enough experience with sewer pump station construction and the potential challenges related to it. Staff thus recommends rejecting all bids.

Please note that the Notice Inviting Bids included in every bid packet contains the following statements: “The City reserves the right to reject any and all bids, and to waive any informality in any bid received, and to be the sole judge of the merits of the respective bids received. The award, if made, will be made to the lowest responsible bidder.” The first page of the Bidder’s proposal sheet, which must be signed and acknowledged by bidders, contains this sentence: “The attached Notice Inviting Bids, Instructions to Bidders, Specifications, and Drawings are made a part of this Proposal and all provisions thereof are hereby accepted.” Potential bidders have therefore been made aware and must acknowledge in their proposals that any and all bids may be rejected.

Alternatives Available to Council

The following alternatives are available to Council:

1. Reject all bids for the construction of the Paseo Del Mar Sewer Pump Station Project and direct staff to re-bid the project.
2. Award a contract for PW 567-09, the Paseo Del Mar Sewer Pump Station Project to Environmental Construction, Inc. in the amount of \$1,479,640.61.
3. Decline to Act.

Conclusions and Recommendations

Staff recommends that the City Council reject all bids for the construction of the Paseo Del Mar Sewer Pump Station Project and direct staff to re-bid the project.

Fiscal Impact

The 2009-10 budget contains \$4,400,000 allotted for sewer capital improvement projects. Staff estimates the following total costs for the project if awarded:

Construction Costs	\$1,479,641
Inspection and Administration	\$155,000
Total	\$1,634,641

The existing budget is sufficient to cover the total construction cost of \$1,634,641 shown above. Staff is unable to determine the amount of additional Construction or Administration costs, if any,

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should significant issues arise during project construction. There will be administration costs incurred to re-bid the project; however, these costs are minimal when compared with the project's construction cost.

Staff report prepared by:
Floriza Rivera
Public Works Department

TO: JOSEPH M. HOEFGEN, CITY MANAGER

FROM: ALEXA D. DAVIS, ADMINISTRATIVE ANALYST

SUBJECT: SPECIAL EVENT APPLICATION AND POSTING OF PATRIOTIC SIGNS FOR THE PALOS VERDES INDEPENDENCE DAY CELEBRATION ON SUNDAY, JULY 4, 2010 AT MALAGA COVE SCHOOL GROUNDS

DATE: JUNE 8, 2010

ISSUE

Shall the City approve a Special Event Application for the Palos Verdes Independence Day Committee to hold its annual celebration at the Malaga Cove school grounds?

BACKGROUND AND ANALYSIS

The 49th Annual Palos Verdes Independence Day Celebration will be held Sunday, July 4, 2010. The program takes place from 9:30 a.m. to 3:00 p.m. The event includes children's patriotic bicycle parade, apple pie baking contest, puppet show, singing, picnics, and music. This event is an annual tradition in the City.

The celebration will once again be held on school district property at the Malaga Cove site, after a successful year last year on the grounds of Lunada Bay Elementary School due to construction at the Malaga Cove School site. The City's primary concern is traffic control, which is coordinated with the Police Department. The event is well-managed by the Independence Day Committee, which includes a City representative, and has always been held without incident.

The City's current sign policy, revised in October 2006, recognizes that the Palos Verdes Independence Day Celebration is a City-sponsored event, and therefore is eligible to post promotional signs on public property. According to the policy, however, signs are only permitted at the City-approved locations, which include the median strip adjacent to Malaga Cove Plaza at Via Corta, and the median strip across from the Lunada Bay Fountain area. Furthermore, signs may only be posted one week prior to the event. The signs include the following wording:

"Family Fun, 4th of July Picnic, Malaga Cove School, 9:30 a.m." (Plus the name of the guest speaker.)

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The Committee also requests permission to erect red, white, and blue flags with the permitted promotional signs, which traditionally has been done.

The Special Event Application has been reviewed and preliminarily approved by the Police Department and Fire Department. Because of the tradition of this event and the City's involvement, the City waives the fee requirements of the Special Event Application. The Indemnity Agreement has been received and the Certificate of Insurance will be received prior to the event.

RECOMMENDATION:

It is recommended that the City Council approve this Special Event Application for the 49th Annual 4th of July Celebration at the Malaga Cove School grounds, allow the Celebration Committee to post promotional signs at the two City-permitted locations one week prior to the event, and to place flags at each promotional sign.

Agenda Item #: 6
Meeting Date: 6/8/10

TO: JOSEPH M. HOEFGEN, CITY MANAGER

FROM: ALEXA D. DAVIS, ADMINISTRATIVE ANALYST

SUBJECT: SPECIAL EVENT APPLICATION FOR THE LUNADA BAY HOMEOWNERS ASSOCIATION “SUMMER CONCERTS IN THE PARK” AT LUNADA BAY PARK

DATE: JUNE 8, 2010

ISSUE

Shall the City approve a Special Event Application by the Lunada Bay Homeowners Association to hold a “Summer Concerts in the Park” at Lunada Bay Park on July 15th, July 22nd and August 12th, 2010 from 6 p.m. to 8 p.m.?

BACKGROUND

The Lunada Bay Homeowners Association (LBHOA) has submitted a Special Event Application to hold a series of concerts at Lunada Bay Park.

The concerts are as follows:

Thursday, July 15 th from 6 p.m. – 8 p.m.	Marti Harris
Thursday, July 22 nd from 6 p.m. – 8 p.m.	Mike Stocksdale
Thursday, August 12 th from 6 p.m. – 8 p.m.	The Prima Divas

The LBHOA has previously held many successful events in the park. The City is treating the concert series as one event, which is comparable to how the Malaga Cove Concert Series is processed. In order to accommodate this, the City has set forth the following stipulations, which have been previously agreed upon by the LBHOA:

1. “Series” events are not to exceed 6 separate activity dates in a given year.

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2. City staff time, in excess of 16 hours per activity, will be billed to the event sponsor at the employees' rate of pay equivalent to the amount paid for his time assisting at the event. This condition was added two years ago in order to limit the potential budget impact on the City. Our desire is to achieve a balance between the public benefits of community events and the amount of staff time allocated for set-up and tear down of the events.

The event organizers are aware of the necessity to have a safe event with a proper clean-up afterward. The LBHOA is making an effort to generate community involvement in the Lunada Bay area and revitalize homeowner activity in the neighborhood.

The Special Event Application has been reviewed and preliminarily approved by all municipal departments. All fees have been paid and the Certificate of Insurance and Indemnity Agreement have been received.

The LBHOA is additionally requesting City-sponsorship, which would permit them to post promotional signs for the event. The City's sign policy (as seen attached) requires that an event sponsored by a non-profit organization must gain City sponsorship in order to be eligible to post promotional signs. Further, the policy explains that the City will sponsor a maximum of 3 events per calendar year.

In the past, the City has allowed the LBHOA to post signs for the summer concerts under one event as the Summer Concert Series. This would allow the LBHOA to post signs for two additional events this year under City policy. *Please note*, the LBHOA previously requested permission to post signs for their 2010 April Earth Day event; however signs never were completed to be posted on time for the event.

CONCLUSION

The members of the Lunada Bay Homeowners Association work hard to put together well-organized, family-friendly community events. These neighborhood activities generate a positive experience for Lunada Bay and the surrounding community.

RECOMMENDATION

It is recommended that the City Council approve a Special Event Application by the Lunada Bay Homeowners Association to hold "Summer Concerts in the Park" at Lunada Bay Park on July 15th, July 22nd and August 12th, 2010 from 6 p.m. to 8 p.m. and approve the posting of promotional signs for all concerts at both permitted locations one week prior to the activity.

TO: JOSEPH HOEFGEN, CITY MANAGER

FROM: JUDY SMITH, ASSISTANT CITY MANAGER

SUBJECT: RESOLUTION R10-06 APPROVING THE ANNUAL REPORT AND SETTING THE RATE FOR THE SEWER USER FEE TO FINANCE THE FY 10-11 PROGRAM OF SANITARY SEWER IMPROVEMENTS

The Issue

Shall the City Council adopt Resolution 10-06, which approves the Sewer User Fee Annual Report and sets the rate for the sewer user fee to finance the FY 10-11 program of sanitary sewer improvements?

Background

FY 10-11 represents the eighth year of the ten-year Sewer Master Plan. The master plan, approved by the City Council in 2003, outlines recommended upgrades and refurbishment of the City's sanitary sewer facilities based upon an initial ten-year program. A sewer user fee was approved in June 2003 after a public process dictated by law. The amount of fee is set annually, and combined with interest earnings, is intended to generate approximately \$1.5 million per year in order to fund the ten-year program of improvements. The sewer user fee is levied under authority of Section 5471 of the Health and Safety Code, appears on the property tax bill and is collected at the same time as payment for property taxes.

Analysis and Findings

The sewer fee calculation involves the following factors: estimated sewer use based on water consumption, maximum/actual sewer unit rate and the sewer program budget. Estimated sewer use is based on water consumption using the three lowest month's water use in the City as a whole, which provides a factor for landscape water that does not enter the sewer system (three lowest months equal the wettest months, thereby minimizing for landscape use). Each parcel's water use, based on the City's three lowest months, is then averaged and multiplied by 12 (months) to determine that parcel's annual estimated sewer use. The total of all properties use equals the estimated total sewer units.

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The history of the sewer fee calculation is attached to this report. The three lowest months water use for the FY 10-11 fee calculation were January, February and March 2009. Using these three months to calculate the average annual water use for each eligible property connected to the sewer system results in 1,259,572 units of estimated sewer use. This is a change of +7.7% compared to FY 2009-10 when 1,214,548 sewer units were recorded.

The sewer fee unit rate is determined by dividing the annual improvement budget (minus interest earnings, plus administration) by the total estimated sewer use (total sewer units). The sewer unit rate may not exceed the maximum allowable rate as provided by ordinance. The maximum unit rate for FY 10-11 remains unchanged from FY 09-10 at \$1.31/unit because the associated inflation factor (Engineering News Record (ENR) Construction Cost Index for Los Angeles County) did not change. Even though a maximum sewer unit rate of \$1.31 could be levied, a unit rate of \$1.00 will generate sufficient fee revenue to finance the FY 10-11 sewer program. This is a decrease from the FY 09-10 unit rate which was \$1.02.

Because the FY 10-11 \$1.00 unit rate does not exceed the original rate (\$1.02) approved in the first year of the program, no additional public notice is required. Legislation approved in 2009 requires additional noticing for inflationary increases of property-related fees (water, sewer, refuse). If in the remaining years of the current ten-year program the sewer unit rate exceeds \$1.02, the City will be required to provide notice by mail to each property owner at least 30 days in advance of the effective increase (July 1).

Using the \$1.00 unit rate, the average sewer fee for a single-family residence totals \$250, which is the same as last year's average single family residence cost. Although \$250 is the average, the actual cost per property varies. The data shows that 2,428 properties will have a decrease (48%) in the cost, while 2,666 properties (52%) will experience an increase. The fact that more properties experience an increase this year is not surprising given that the total units of estimated sewer use increased 7.7%. Of the properties with an increase, 74% (1,970 parcels) will experience a fee increase of less than \$100 compared to their FY 09-10 rate. When looking at all properties, 74% (3,772) will experience a fee increase or decrease within \$100. This percentage is higher than last year when 67% of all properties had a change of (+ or -) within \$100.

The program of sewer improvements for FY 10-11, as presented in the City's budget, totals \$2,360,000 and includes design for the Rocky Point sewer pump station and administration, inspection and construction of the Via Barri sewer pump station. In accordance with the fee ordinance, interest earnings (\$100,000) are applied toward the budget and reduce the required sewer fee. Administrative costs (\$7,850) reflect the assessment engineer's preparation of the attached report and the cost charge by Los Angeles County to levy the fee on property tax bills. The sewer fee budget, representing costs that need to be funded by the current year sewer fee, totals \$1,259,572, which is supplemented by the existing available fund balance to finance the total FY 10-11 sewer program (\$2.36 million).

Alternatives Available to the City Council

1. Adopt Resolution R10-06, which approves the Sewer User Fee Annual Report and sets the sewer user fee rate for FY 2010-11, prepared in accordance with Ordinance No. 03-649.
2. Decline to adopt Resolution R10-06. Without approval of the annual report and sewer user fee rate, there is no authority to levy the fee.

Recommendation

It is recommended that the City Council open the public hearing in accordance with Health & Safety Code Section 5470, receive public input, close the public hearing and adopt Resolution R10-06; approving the Sewer User Fee Annual Report, prepared in accordance with Ordinance No. 03-649, establishing the sewer user fee rate for the FY 10-11 sanitary sewer improvement program.

TO: JOSEPH HOEFGEN, CITY MANAGER
FROM: JUDY SMITH, ASSISTANT CITY MANAGER
SUBJECT: PRESENTATION OF FY 2010-11 CITY BUDGET

The Issue

Shall the City Council present the FY 2010-11 budget and approve additional adjustments, if any, to the preliminary budget?

Background

The City has prepared a two-year budget document for FY 10-11 and FY 11-12, but continues to adopt the budget on an annual basis. The purpose of this item is to provide the opportunity for additional public comment on the proposed FY 2010-11 City budget. In addition to this evening, public meetings to review the budget were conducted on March 31, 2010 and May 27, 2010 at which time there was also an opportunity for public comment.

Analysis and Findings

The total proposed expenditures for FY 10-11, as contained in the preliminary document including both operating and capital budgets, totals \$18,313,090. The operating budget totals \$14,697,090 and represents a 1.06% increase compared to the adopted FY 09-10 budget. The general fund budget is a balanced budget and maintains the City's targeted 50% general fund operating balance.

The FY 10-11 preliminary budget was prepared using a March estimate for the Los Angeles County fire and paramedic services contract and final cost information was received on May 25th. The final cost did not change from the March estimate and therefore, there is no revision needed to the final budget for these services. At the May 27th budget meeting, City Council approved the addition of a \$10,000 expenditure to conduct a seismic analysis of City Hall and that appropriation will be reflected in the final budget.

Resolutions required to adopt the budget, including the Auditor's Report for the fire/paramedic services tax rate, will be presented at the June 22, 2010 Council meeting.

Recommendation

It is recommended that the City Council open the public hearing, receive public comment, close the public hearing, approve any additional budget adjustments and direct staff to finalize the FY 10-11 budget for adoption.

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TO: JOSEPH HOEFGEN, CITY MANAGER

FROM: JUDY SMITH, ASSISTANT CITY MANAGER

SUBJECT: REVIEW AND APPROVAL OF PALOS VERDES BEACH AND ATHLETIC CLUB FY 2010-11 OPERATING AND CAPITAL BUDGETS

The Issue

Shall the City Council approve the FY 2010-11 Palos Verdes Beach and Athletic Club (PVBAC) operating and capital budgets?

Analysis and Findings – FY 09-10 Operating Budget

The PVBAC Board of Directors reviewed and approved the FY 10-11 budgets at their meeting of May 10, 2010. On Monday, May 24, City Council liaisons to the PVBAC, Mayor Pro Tem Rea and Councilmember Bird, and the Assistant City Manager met with Mr. Chris Manos, Manager, Mr. Gibb Cooper, President, and Mr. Richard Govenar, the Club’s Financial Consultant, to review the budget.

The Club’s FY 2010-11 operating budget totals \$1,282,060 on revenue of \$1,277,730. Revenues reflect a 0.47% increase (+\$6,000) compared to FY 09-10; while expenditures reflect a 6% increase (+\$72,490). No dues increase is proposed for FY 10-11. The last dues increase (\$10/month) was effective July 2009 and was the first increase in three years. Areas of expenditure increase include labor (+\$48,345 +7.7%); towel costs (+\$13,350 +29%) and workers compensation insurance (+\$2,760 +35%). The labor costs include salary increases for permanent staff; increased hourly rates for summer part time staff reflecting longevity with the Club; increased staffing due to increased Club utilization in what previously were “slow” use periods and increases in medical insurance costs. The towel costs are a direct reflection of increased Club utilization by members. The liaisons discussed the potential for cost savings which might accrue to the concessions (Beach, Golf and Tennis) as a result of joint purchasing or cooperation, such as linen services. The Beach Club agreed to explore this issue.

Although the budget reflects an operating deficit of \$4,330, further explanation is required. Both the City and the Club were named as beneficiaries of the estate of long-time City residents Neal and Lydia Haag. The Beach Club proceeds of \$86,450 were paid to the City in March 2010 for the benefit of the Club. There were no further restrictions or designations associated with these funds.

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In discussions with the Council liaisons and Club Financial Advisor, it was agreed the proceeds would offset the Club's concession obligation to the City in FY 10-11 up to the amount of the bequest. While both the City and Club have recognized the proceeds on their respective balance sheets, the actual expenditure and revenue recognition will occur within the context of the fiscal year. The City will apply the \$86,450 proceeds against the total anticipated FY 10-11 concession payment due (\$126,200), which results in actual projected Club net income of \$82,120.

Proposed Capital Budget FY 2010-11

The capital fund balance as of April, 2010 totals \$741,000. The capital fund is financed by initiation fees, which are restricted for this use. Year to date (April 2010), the club has had 14 membership turnovers and income from member initiation fees of \$58,500. By fiscal year end (June 30, 2010), the Club anticipates it may reach the project 20 membership turnovers, as May has been an active membership month. The Club has incurred capital expenses of \$126,350 compared to their adopted budget of \$136,000. Considering other revenue (interest) and expenses (taxes), the net effect, year to date, for the capital fund is -\$50,150.

For FY 2010-11, the Club anticipates initiation fees of \$72,000; \$26,000 net effect of other income and expenses and capital expenditures of \$129,460, including a \$6,000 contingency line item for emergencies. The projected net impact on the capital fund as a result of FY 10-11 activity is -\$31,460. Many of the items are required, scheduled major maintenance / equipment replacement including: pool deck cement \$46,100; pool deck furniture \$30,700; kitchen cabinets \$11,000; railings/handrails \$5,960 and carpet/other furnishings \$10,645.

The Council liaisons were supportive of the operating and capital budget as presented.

Alternatives Available to the City Council

1. Approve the FY 10-11 operating budget (\$1,282,060) and capital budget (\$129,460) as presented.
2. Do not approve the budget as proposed. This would require the Club and Board of Directors to change the budget to address City Council concerns.

Recommendation

It is recommended that the City Council approve the FY 2010-11 Palos Verdes Beach & Athletic Club operating and capital budgets.

Budget Impact

The PVBAC is a non-profit entity whose budget is separate from the City's. The PVBAC pays a 10% concession fee on gross revenues to the City. It is expected the PVBAC concession fee will generate ~\$126,200 in FY 10-11. The proceeds from the Haag Estate (\$86,450) received by the City in March 2010 for the benefit of the Club, will be used to offset the Club's concession payments, until those proceeds are exhausted, at which time, the Club will again remit the required concession fees.