

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

June 8, 2010

A regular meeting of the City Council of the City of Palos Verdes Estates was called to order this day at 6:30 p.m. in the City Council Chambers of City Hall by Mayor Humphrey.

ROLL CALL: Councilmembers Bird, Perkins, Goodhart, Mayor Pro Tem Rea,
Mayor Humphrey

ABSENT: None

PUBLIC COMMENT ON CLOSED SESSION ITEM(S) – No one came forward to speak.

CLOSED SESSION: Council recessed to Closed Session at 6:33 p.m.

ALSO PRESENT: City Manager Hoefgen, Assistant City Manager Smith, City Attorney Hogin,
Attorney Tiedemann, Administrative Analyst Davis, Public Works Director
Rigg, Police Chief Dreiling

• 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

RECONVENE: Council reconvened at 7:38 p.m.

Mayor Humphrey announced there was no reportable action from the Closed Session. The Pledge of Allegiance followed.

ROLL CALL: Councilmembers Bird, Perkins, Goodhart, Mayor Pro Tem Rea,
Mayor Humphrey

ABSENT: None

**CITY COUNCIL
JUNE 8, 2010**

ALSO PRESENT: City Manager Hoefgen, City Attorney Hogin, Assistant City Manager Smith, Police Chief Dreiling, Public Works Director Rigg, Minutes Secretary Kroneberger

MAYOR'S REPORT – none

CONSENT AGENDA (Items 1-6)

It was moved by Councilmember Goodhart, seconded by Councilmember Bird and unanimously approved that the following Consent Agenda items be approved:

- **MINUTES OF CITY COUNCIL MEETING OF MAY 25, 2010**
- **TREASURER'S REPORT – MAY 2010**
- **MANDATORY REVIEW – CONFLICT OF INTEREST CODE**
- **PW-567-09; REJECTION OF ALL BIDS FOR THE PASEO DEL MAR SEWER PUMP STATION PROJECT**
- **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**
- **SPECIAL EVENT APPLICATION FOR THE LUNADA BAY HOMEOWNERS ASSOCIATION "SUMMER CONCERTS IN THE PARK" AT LUNADA BAY PARK**

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

PUBLIC HEARINGS

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

Assistant City Manager Smith confirmed that public notice was given according to law. She reported that Council approved a ten-year master plan for the sanitary sewer system in 2003; FY10-11 represents the eighth year of the program. She stated a sewer user fee was approved in June 2003 after a public process dictated by law; it finances the annual program of improvements and is levied under the authority of Health and Safety Code, and appears on property tax bills. She explained that the fee is calculated based on water consumption, using the 3 lowest months of use in the City as a whole, which

**CITY COUNCIL
JUNE 8, 2010**

provides for a factor for landscape water that does not enter the sewer system. Each parcel's water use, using the City's three lowest months, is then averaged and multiplied by 12 to determine that parcel's total estimated sewer use. The three lowest months water use for calculation of the FY 10-11 fee were January, February and March 2009, which resulted in 1,259,572 units of sewer use, representing an increase of +7.7% over FY09-10. She said there is a maximum annual unit rate allowed by the Ordinance, which is \$1.31, and remains unchanged from FY09-10 because the authorized inflation index did not change. Even though the City could levy a unit rate of \$1.31, a unit rate of \$1.00 per sewer unit will generate sufficient fee revenue including using fund balance to finance the FY10-11 sewer program. This is a decrease from the FY09-10 rate of \$1.02. Using the \$1.00 unit rate, the average sewer fee for a single-family residence is \$250; the same as last year's average. Because individual parcels have different water use, she explained that the fee can either be higher or lower. Our data shows that 48% of the City's properties will have a decrease; 52% or ~2665 properties will experience an increase in their sewer fee. Of these properties, 74% will have an increase of less than \$100 compared to their FY09-10 rate. She concluded that the sewer fee will generate \$1,259,572; the FY10-11 program of sewer improvements totals \$2,360,000 and includes the design for the Rocky Point Sewer Pump Station and the administration, inspection and construction of the Via Barri Sewer Station; the existing fund balance will finance the difference.

Mayor Humphrey declared the public hearing open; no one came forward to speak. Mayor Humphrey closed the public hearing.

Councilmember Bird asked Assistant City Manager Smith to confirm that the correct amount of water usage increase was 7.7% from last fiscal year because there are two different figures cited in the report. (At the conclusion of the meeting, Ms. Smith reported the correct water usage increase was 3.7% from the prior year.)

Councilmember Bird moved to adopt Resolution R10-06, approving the Sewer Use Fee Annual Report establishing the sewer user fee rate for FY 2010-11, in accordance with Ordinance No. 03-649. The motion was seconded by Councilmember Perkins, and was carried by unanimous roll call vote.

PRESENTATION OF THE FISCAL YEAR 2010-11 CITY BUDGET

Assistant City Manager Smith confirmed that public notice was given according to law.

City Manager Hoefgen reported that this public hearing is a follow-up to the two budget workshops held earlier this year as part of the development process for the FY 2010-11 budget. In March, budget issue papers were presented with preliminary budget projections. In May, each of the departments presented their budgets incorporating Council direction received from the earlier budget workshop. He was happy to report that the budget is balanced for each of the next two years, and it maintains the City's targeted 50% general fund reserve. He noted that the budget reflects on-going savings from efficiencies put into place over the last couple years, including reduced staffing through the Charles Abbott contract – building inspection services, saving ~\$80,000/year, in addition to savings achieved by bringing mechanic services in-house in lieu of contracting for these services. In terms of services

**CITY COUNCIL
JUNE 8, 2010**

and staffing, the budget is status quo. Total operating expenditures are increasing by just over 1% compared to last year; reflecting the conservative yet realistic budget principles per Council direction. He commented that the State continues to wrestle with a multi-billion dollar deficit; this year's deficit is \$19 billion. Our budget reflects a 10-month delay in the receipt of state gas tax proceeds; however, we do not assume any additional negative impacts from the State, but will continue to monitor the State's actions.

Mayor Humphrey declared the public hearing open; no one came forward to speak. Mayor Humphrey closed the public hearing.

Mayor Humphrey thanked City Manager Hoefgen and staff for all the work completed on the budget and trying to keep expenditures in line.

Mayor Pro Tem Rea moved to direct staff to finalize the FY 2010-11 budget for adoption, seconded by Councilmember Goodhart, and carried by unanimous oral vote.

OLD BUSINESS

NEW BUSINESS

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

Assistant City Manager Smith reported that the PVBAC Board of Directors approved their FY10-11 budget May 10, 2010; on May 24th, the Council liaisons – MPT Rea, Councilmember Bird, and she met with club representatives to review. She stated that the 2010-11 operating budget totals \$1.282 million on revenue of \$1.277 million; revenues reflect a .47% increase compared to the current year, while expenditures reflect a 6% increase. She said no dues increase is proposed as part of the FY10-11 budget. A \$10/month dues increase was imposed in July 2009; the first monthly increase in 3 years. Areas of expenditure increase include labor and towel costs, and Workers' Compensation insurance. She said the Club attributes the linen costs increase to increased membership utilization. Liaison Councilmember Bird suggested that all the clubs look at the opportunity for joint purchasing for money-saving opportunities where cooperation makes sense; the Club agreed to look into the issue. Even though the presented budget shows a projected deficit of \$4,330, Ms. Smith explained that both the City and Club were named beneficiaries of an estate of long-time PVE residents, Neil and Lydia Haag--the Beach Club's proceeds were \$86,450. She said there were no restrictions on the use of the monies from the estate left to the Club, just that they were to be used for its benefit. In the interest of ease and for the Club's benefit, it was determined the proceeds would be used to offset their FY10-11 concession obligation to the City to the extent that those proceeds were all used. She explained that the proceeds will be recognized on balance sheets, but the actual revenues and expenditures need to be recognized within the operating budgets.

**CITY COUNCIL
JUNE 8, 2010**

Thus, even though the Club projects that deficit, they actually will experience a net income of \$82,000 as the result of those proceeds. She stated that the current capital fund balance totals \$741,000 and the budget for capital expenditures is \$129,461; most of these items call for major replacements for deck furniture, pool deck cement, kitchen cabinets and other on-going maintenance and repairs of a capital nature at the Club. She concluded that the liaisons were supportive of the budget as presented. She noted that the Club's financial advisor, Richard Govenar, is in attendance this evening.

Mayor Humphrey asked how the proceeds were split between the City and the Club. Asst. City Manager Smith responded that both were named individually as beneficiaries of the estate at different percentages; the Beach Club's designation was paid to the City on behalf of the Club and is being held for their benefit.

Councilmember Goodhart noted that there is \$66,000 in additional costs included in the budget since last year and if not for the Haag estate proceeds they would be operating at a deficit. He asked the liaisons if there is a plan developed as to how the additional costs would be resolved or mitigated. Liaison MPT Rea said he would not recommend approval of the budget was it not for the generous gift from the Haag estate; it is simply in recognition of this windfall from the Haag's. He stated there is no intention to establish a precedent for any future years.

Councilmember Goodhart said he understood increases in costs, but he remained concerned about approving a budget that has a deficit. He confirmed with Mayor Humphrey his wish to know what would occur had there had not been this bequest.

Richard Govenar said there is ~\$150,000 in an operating reserve over and above the Club's \$740,000 capital reserves balance; a fairly significant operating reserve, which doesn't include the Haag bequest. He said they did not like budgeting for a loss either; they contacted the Tennis and Golf Clubs and have put out to bid for towels, but noted that their usage is very different than the PVBAC's much heavier usage. He said they are not counting on it, but they may realize a savings as a result.

Councilmember Goodhart said although it represents a technicality, he was concerned that the proceeds from the Haag estate are being used to balance to budget when there is an operating reserve. Mr. Govenar said the Haag money is an outright bequest with no restrictions; it goes right into the general fund. He confirmed with Mayor Humphrey and Council that they would anticipate a dues increase if the deficit continues next year.

Councilmember Bird said it was reported that the Club had seen reduction in revenue from facility rental as a result of the economy. Mr. Govenar confirmed that rentals have gone down, but not dramatically; conversely, revenue from guest fees have risen. Instead of going out of town, people are coming to the Beach Club. As a result, however, related costs have increased.

At Councilmember Bird's request, Mr. Govenar stated that residents that are not members may visit the Club by paying a day fee to use the pool. Holiday usage is restricted to members only. Assistant

CITY COUNCIL
JUNE 8, 2010

City Manager Smith confirmed that usage rules for all City concessions are explained annually in the City's April Newsletter.

MPT Rea asked for the status of the Club's waiting list. Mr. Govenar reported there are ~340 people on the waiting list. Letters were sent to determine continued interest; many responded they would like to remain on the list; however, they did receive some requests for deposit refunds. Increase in turnover has occurred over last year. They continue to monitor the waiting list; the wait for membership may continue to be long.

Councilmember Goodhart asked about the Jacuzzi pump installed last year. Mr. Govenar said the adult Jacuzzi usage is high and the upgrade is in response to member's requests for additional pressure from the jets.

Councilmember Perkins asked how specific capital improvements are determined. Mr. Govenar responded the process begins with the Club Manager's wish list of what must be done vs. what needs to be done, such as the pool deck furniture, which he noted hasn't been replaced in 8 years.

Councilmember Perkins asked how the capital reserve fund increased. Mr. Govenar responded that it comes from interest earned from bonds, and membership turnover. He noted that the reserve will not grow this year due to what needs to be done at Club, opining that wear and tear caused by the ocean is high.

Mayor Humphrey asked if revenue is generated by the summer swim program. Mr. Govenar said no, the program has been conducted for several years by the San Pedro YMCA under their direction. Assistant City Manager Smith said the current issue is that the PV High pool is a water polo facility; the YMCA doesn't feel they can safely offer group lessons because there is no shallow part of the pool. The summer swim program, including group lessons and free swim, will be offered at Peninsula High School. She said the YMCA will offer private lessons at PV High for PVE residents and are exploring a water polo camp program in August, also for residents.

Mayor Humphrey asked how the Beach Club governs the program insuring access to PVE residents. Ms. Smith responded that the program is open and available to the public – City Hall and the Beach Club have enrollment information and applications. Private lessons and water polo camp at PV High School will only be advertised, currently, through our City newsletter. She commented that demand on lessons will also determine whether the YMCA pursues using that facility at all.

Mayor Humphrey asked why the Beach Club is not getting any revenue from the program. Assistant City Manager Smith responded that the YMCA is the contractor. Mr. Govenar added that they have never operated the summer swim program at the Beach Club. Mayor Humphrey indicated concerns voiced regarding free swim opportunities. Mr. Govenar offered that the junior lifeguard program is successful and profitable for the Club; however, free swim is not allowed after training is completed; it is a problem because it is hard to monitor.

Mayor Pro Tem Rea moved to approve the FY 2010-11 Palos Verdes Beach & Athletic Club \$1,282,060 operating budget and \$129,460 capital budget as presented. The motion was seconded by Councilmember Perkins and was carried unanimously by roll call vote.

STAFF REPORTS - None

DEMANDS

It was moved by Mayor Pro Tem Rea and seconded by Councilmember Bird that the demands, as approved by a majority of the City Council, totaling \$224,260.86 be allowed and it was unanimously approved.

It was moved by Mayor Pro Tem Rea and seconded by Councilmember Bird that the demands, as approved by a majority of the City Council No. 517596 to 517648 totaling \$448.697.06 be allowed and it was unanimously approved.

MAYOR & CITY COUNCILMEMBERS' REPORTS

Councilmember Perkins reported that she and Councilmember Goodhart attended the May 27th South Bay COG Board Meeting. Highlights included a presentation on the Los Angeles Mayor Villaraigosa “30-10 plan” initiative that accelerates the construction of some public transportation options made by Mayor Villaraigosa’s Deputy Mayor, Jaime de la Vega. The COG’s support was requested and received. The plans include MTA Green Line expansion extending into Torrance and Redondo Beach and an extension into LAX, which should be completed by 2018, rather than 2028 as originally forecasted. She announced that future meetings will be held at the Peninsula Center Library once Judy Mitchell takes over as COG Chair.

Councilmember Goodhart reported on his attendance, as City liaison, at the Disaster Management Area Coordinators Conference for Areas A-H in Cerritos on June 3rd; PVE is part of Area G. He said the objective of this first workshop was to discuss common issues all cities experience regarding disaster district plans—budgets, staffing, resource shortages, etc. Laurie Slawson was also in attendance along with 2 DDP coordinators – Steve Friedrich from Malaga Cove, and Heidi Furer from Montemalaga, as well as John Douglas, who’s been leading the whole effort. Various area vendors and organizations, including Bank of America, Home Depot, and Verizon Wireless (who donated 50 cell phones with texting capability for DDP emergency team coordinators’ use and for placement in our DDP supply containers) made presentations offering resources and partnerships to assist in disaster response and recovery.

Councilmember Rea spoke of his attendance, as City representative, at the Memorial Day program at Green Hills Memorial Park. He said there were several speakers at this moving event, including a U.S. Marines Colonel who spoke of his various deployments in the Middle East and a compelling explanation for why we fight.

**CITY COUNCIL
JUNE 8, 2010**

RECESS TO CLOSED SESSION

At 8:18 p.m. Mayor Humphrey recessed the meeting to Closed Session.

CONFERENCE WITH LEGAL COUNSEL

Initiation of Litigation per Government Code Section 54956.9 (c)

Number of Potential Cases: 1

RECONVENE TO OPEN SESSION

At 8:51 p.m. Mayor Humphrey reconvened the meeting to Open Session and announced there was no reportable action from the Closed Session.

ADJOURNMENT

There being no further business before Council, the meeting was adjourned at 8:52 p.m. to Tuesday, June 22, 2010 at 5:00 p.m. in the City Council Chambers of City Hall for the purpose of an Adjourned Regular Meeting to conduct City Commission and Committee member interviews.

RESPECTFULLY SUBMITTED,

VICKIE KRONEBERGER, MINUTES SECRETARY

APPROVED:

ROSEMARY HUMPHREY, MAYOR

**CITY COUNCIL
JUNE 8, 2010**