

May 10, 2011
7:30 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. R11-09
NEXT ORDINANCE NO. 11-699**

CALL TO ORDER

PLEDGE OF ALLEGIANCE

ROLL CALL

MAYOR'S REPORT – Matters of Community Interest

**CITY COUNCIL AGENDA
MAY 10, 2011**

- Swearing-in of Palos Verdes Estates Residents as Disaster Service Workers

CONSENT AGENDA (Items 1 & 2)

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. City Council Minutes of April 26, 2011

Recommendation: Review and Approve.

2. Special Event Application for Lunada Bay Homeowners' Association "A Day in the Park" – a Community Environmental Fair, on Sunday, June 5, 2011 from 11:00 a.m. to 6:00 p.m.

Recommendation: It is recommended that the City Council approve the request to allow the Lunada Bay Homeowners' Association to conduct "A Day in the Park" – a community environmental fair, to be held at Lunada Bay Park on June 5, 2011, from 11:00 a.m. to 6:00 p.m. and to allow event organizers to post a sign to promote the event under the City's current sign policy.

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.

OLD BUSINESS

NEW BUSINESS

3. Consideration of a Revised General Fund Balance Policy in Conformance with Provisions of the Governmental Accounting Standards Board – Statement No. 54

Recommendation: It is recommended that City Council direct staff to prepare a revised general fund balance policy for adoption, which commits a portion of the general fund balance for economic uncertainties, in conformance with Governmental Accounting Standard Board's (GASB) Statement No. 54.

**CITY COUNCIL AGENDA
MAY 10, 2011**

STAFF REPORTS

4. City Manager's Report

DEMANDS

5.
 - a. Authorize Payment of Motion #1 – Payroll Warrant of April 29, 2011
 - b. Authorize Payment of Motion #2 – Warrant Register of May 10, 2011

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

MAYOR & CITY COUNCILMEMBERS' REPORTS

ADJOURNMENT TO TUESDAY, MAY 24, 2011, IN COUNCIL CHAMBERS OF CITY HALL FOR THE PURPOSE OF A REGULAR MEETING.

- *This City Council meeting can be viewed on Cox Cable, Channel 35, Wednesday, May 11, 2011 at 7:30 p.m., and Wednesday, May 18, 2011, at 7:30 p.m.*

TO: JOSEPH M. HOEFGEN, CITY MANAGER

FROM: ALEXA D. DAVIS, ADMINISTRATIVE ANALYST

SUBJECT: SPECIAL EVENT APPLICATION FOR LUNADA BAY HOMEOWNERS ASSOCIATION "A DAY AT THE PARK" – A COMMUNITY ENVIRONMENTAL FAIR, ON SUNDAY, JUNE 5, 2011 FROM 11:00 A.M. TO 6:00 P.M.

DATE: MAY 10, 2011

ISSUE

Shall permission be granted to the Lunada Bay Homeowners' Association to hold "A Day at the Park," a community environmental fair, at Lunada Bay Park on Sunday, June 5, 2011 from 11:00 a.m. to 6:00 p.m.?

BACKGROUND

The Lunada Bay Homeowners' Association (LBHOA) has requested the City of Palos Verdes Estates grant a Special Event permit for their "A Day at the Park" event, which would promote environmental awareness in a "fun, family oriented venue" through the participation of several vendors/organizations. This event is scheduled for Sunday, June 5th at the Lunada Bay Park.

The event is comparable to last year's Earth Day celebration, which took place on the Paseo Lunado median and was managed without incident. This year's event will include a variety of information booths and hands-on exhibits and is proposed for Lunada Bay Park. Local stores will also be engaged in the event. There will be family friendly activities and speakers on environmental topics with soft, classic rock music playing from 3 p.m. to 6 p.m.

The LBHOA has previously held many successful events in the park. Event organizers are aware of the necessity to have a safe event with a proper clean-up afterward. The LBHOA makes a concerted effort each year to generate community involvement in the Lunada Bay area and revitalize homeowner activity in the neighborhood through well-planned and well-organized community events.

The Special Event Application has been reviewed and preliminarily approved by all municipal departments. All fees will be paid in full and a renewed Certificate of Insurance will be received prior to the event. The Indemnity Agreement has been executed by the event sponsor.

The LBHOA is additionally requesting City-sponsorship, which would permit them to post promotional signs for the event. The City's sign policy requires that an event sponsored by a non-profit organization must gain City sponsorship in order to be eligible to post promotional signs.

CITY COUNCIL AGENDA
MAY 10, 2011

Further, the policy explains that the City will sponsor a maximum of 3 events per calendar year. If granted, this would be the first LBHOA sign posted for the 2011 calendar year.

RECOMMENDATION

It is recommended that the City Council approve the request to allow the Lunada Bay Homeowners Association to conduct “A Day in the Park” – a community environmental fair, to be held at Lunada Bay Park on June 5, 2011, from 11:00 a.m. to 6:00 p.m. and to allow event organizer’s to post a sign to promote the event under the City’s current sign policy.

Attachments

TO: JOSEPH M. HOEFGEN, CITY MANAGER

FROM: JUDY SMITH, ASSISTANT CITY MANAGER

SUBJECT: CONSIDERATION OF A REVISED GENERAL FUND BALANCE POLICY IN CONFORMANCE WITH PROVISIONS OF THE GOVERNMENTAL ACCOUNTING STANDARDS BOARD - STATEMENT NO. 54

The Issue

Shall the City Council consider and discuss options for a general fund balance policy in conformance with provisions dictated by the Governmental Accounting Standard Board's (GASB) Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions"?

Background

GASB, an independent, non-profit organization, is recognized by state and local governments and accounting professionals as the official source of generally accepted accounting principles (GAAP) for state and local governments. In March 2009, GASB issued Statement 54 regarding fund balance. The purpose of the statement was to clarify and bring greater consistency to government sector fund balance reporting. The City is required to implement these provisions as part of our annual financial report for the fiscal year ending June 30, 2011.

GASB 54 eliminates the three previous fund balance classifications: restricted, designated and undesignated and replaces them with the following:

- Nonspendable – e.g. inventory
- Restricted – restricted by law, usually by external sources (special revenue funds)
- Committed –by formal action of governmental body, use only for specified purpose
- Assigned –intended to be used for specific purpose, intent expressed by governmental body or staff member authorized by Council. All capital balances must be reported as "assigned"
- Unassigned – available and spendable, unassigned only applicable in the general fund

In addition to the classifications, GASB 54 requires additional disclosure in the "Notes to the Financial Statements" especially information about minimum fund balance policies; the decision-making authority/formal action that resulted in any "committed" fund balance and the bodies or persons with authority to express on behalf of the City Council the intent for use of "assigned" funds.

The impact to the City’s financial statement presentation and decisions required by the City Council to implement GASB 54 are outlined below.

Analysis and Findings

At this time, there is no decision required of the Council for the following fund types as the fund balance classifications are dictated by the provisions of GASB 54:

Fund Type (# of funds)	Balance as of 4-30-11*	Fund Balance Classification
Capital projects (2 funds)		
General Capital	\$11,009,715	Assigned
Sewer Capital	\$5,507,075	Assigned
Special Revenue (10 funds)		
Various funds including Fire Parcel Tax, Gas Tax, etc.	\$2,050,339	Restricted

(*Includes transfer of funds from sewer capital to general capital as approved by Council at March 31, budget meeting.)

A policy decision of the Council is required with respect to the general fund, as described below.

Existing Council policy, effective June 30, 2001, establishes a targeted general fund balance equal to 50% of the next fiscal year’s total operating budget. This balance was established at the time the City faced the loss of vehicle license fee revenue (VLF), then the second single largest source of general fund revenue after property taxes. Any funds in excess of the targeted balance are transferred to the general capital improvement fund, or otherwise used in accordance with City Council direction (e.g. PERS side fund liability payment).

The 50% general fund balance is intended as a hedge against economic uncertainties, including negative impacts from the state budget process, loss of a major revenue source or in the event of a major disaster. In the June 30, 2010 audit report, the entire general fund balance (\$8,471,645) is shown as “undesignated”, which means it is available and spendable.

GASB 54 recognizes that fund balance established for emergencies (“rainy-day” or “budget stabilization funds”) is important information for financial statement users. There are two options available to the Council under GASB 54 with respect to the general fund balance:

- **Maintain the current policy** – No Council action is required. The general fund balance would continue to be reflected in the annual audit as undesignated. The Council policy on the established 50% target for the general fund balance would be disclosed and described in the Notes to the Financial Statements.

- **“Commit” a portion of the general fund balance for “economic uncertainties”.** The current fund balance policy does not provide the specificity required to segregate and commit a portion of the funds. The policy needs to include detail under what circumstances the funds could be increased or expended.

The Council has previously discussed the targeted fund balance as a means to address economic uncertainties including the following:

- Loss of a major revenue source
- Ability to respond to a major disaster – including emergency response; facility and equipment replacement, infrastructure repair/replacement.

Therefore, staff does not believe it is the intent of the Council to reflect the full general fund balance as available and spendable (undesignated). Proposed sample language for a revised general fund balance policy is attached. Adoption of any policy to commit a portion of funds must be made by resolution and may only be changed in the future by resolution.

For ease of management, if Council determines to “commit” a portion of fund balance, that a specific, fixed dollar amount be established, rather than a percentage. If Council determines that a portion of fund balance should be committed, it should not be the full amount of available funds, as we cannot show a negative amount for the “undesignated” general fund balance. In other words, there should be some residual general fund balance available and reflected as undesignated. Staff would also highlight any undesignated general fund balance as part of the presentation of the annual audit report and seek Council direction on use of available funds. This is the same procedure we have used the past two fiscal years, when Council determined to use funds for the PERS side fund liability.

With respect to committed balances, the same procedure (policy adopted by resolution) could be established for capital project funds should Council wish to establish specific amounts to be used in the event of an emergency or natural disaster, specifically to finance major infrastructure repair/replacement. Recall, in accordance with GASB 54, all capital balances are classified as “assigned”, indicating the intent that the funds be used for capital projects.

Alternatives Available to the City Council

The alternatives are outlined above. There is nothing that precludes the Council from revisiting / discussing the general fund balance issue during FY 2011-12 in order to reflect changes to the June 30, 2012 audit report. Staff is bringing it forward at this time only if Council wishes any changes to be reflected in the June 30, 2011 financial statements.

Recommendation

It is recommended that the City Council direct staff to prepare a revised general fund balance policy for adoption, which commits a portion of the general fund balance for economic uncertainties, in conformance with the Governmental Accounting Standard Board’s (GASB) Statement No. 54.