

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

June 14, 2011

A regular meeting of the City Council of the City of Palos Verdes Estates was called to order this day at 6:00 p.m. in the City Council Chambers of City Hall by Mayor Rea.

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

ABSENT: None

ALSO PRESENT: City Manager Hoefgen, City Attorney Hogin, Assistant City Manager Smith, Administrative Analyst Davis

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

CLOSED SESSION: Council recessed to Closed Session at 6:02 p.m.

• CONFERENCE WITH LABOR NEGOTIATORS

Pursuant to Government Code Section 54957.6

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

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

• PUBLIC SERVICE EMPLOYEE PERFORMANCE EVALUATION

Pursuant to Government Code Section 54957

Title: City Manager

RECONVENE: Council reconvened at 7:37 p.m.

City Attorney Hogin reported that the Council took no reportable actions, but continued the Government Code Section 54957 item to the end of this meeting due to limited time.

PLEDGE OF ALLEGIANCE

ALSO PRESENT: Police Chief Dreiling, Public Works Director Rigg, City Treasurer Sherwood, Executive Asst./Deputy City Clerk Kroneberger

MAYOR'S REPORT – Matters of Community Interest – There were no items reported.

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CONSENT AGENDA

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

- CITY COUNCIL MINUTES OF MAY 24, 2011
- TREASURER'S MONTHLY REPORT – MAY 2011
- PREMISES USE AGREEMENT FOR 1700½ PUNTA PLACE WITH THE SOUTH BAY REGIONAL PUBLIC COMMUNICATIONS AUTHORITY

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

PUBLIC HEARING

PRESENTATION OF THE FISCAL YEAR 2011-12 CITY BUDGET

Assistant City Manager Smith confirmed that public notice was given.

City Manager Hoefgen reported that FY 2011-12 is a status quo budget with no reduction in staff or services. This budget reflects the continuing challenge of providing services during a time of economic uncertainty; a recurring theme of our budgeting over the past few years, which continues into the future given the state's budget deficit. The City focuses on core municipal services, always seeking ways to operate more efficiently and effectively. Voter-approved Propositions 1A and 22 provides the City some measure of comfort; they limit the State's ability to use local government revenues and resources to balance its budget. The City's cost saving measures include major emphasis on reduction of pension costs—two advance payments of the pension side fund liability have been made. With one more payment next year, he reported that the City will have prepaid close to \$4 million of the City's pension obligations. RFP's (requests for proposals) were noticed and new consultants have been retained for auditing and employee benefits broker services, saving the City ~\$20,000 for audit services, and ~\$50,000 on health insurance rates. He said some contract services have been brought in-house to reduce costs. Last year, staffing was reduced through the Abbott contract to reflect reduced service demands on building & safety and planning, resulting in savings of close to \$120,000. He said the useful life of City vehicles has also been extended. This year, another balanced budget is proposed with a modest general fund surplus that will carry forward at the end of next year.

City Manager Hoefgen said the revenue and expenditure estimates have been updated for this budget cycle. Some highlights for the coming year include conduct of an efficiency and effectiveness study--an organizational analysis including staffing, work schedules, and overall effectiveness of City departments. He said the City also has a healthy capital improvement program for FY11-12; the Rocky Point Pump station will be rebuilt and implementation of our

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multi-year pavement management program will begin. In operations, evaluation for potential savings before filling vacant positions will continue.

He said \$40,000 was set aside for enhancement of our Disaster District Plan. There will be new personnel rules adopted and the Municipal Code review will be completed during the new fiscal year. Continued oversight of the City concessions will occur and labor negotiations with City employee associations have begun.

Assistant City Manager Smith reported that moderate revenue growth is projected for the FY11-12 budget. 2.79% growth is assumed for the general fund; compared to our current year, it is a healthy increase to what's been seen the last several years. FY11-12 total projected revenue is still \$200,000 lower than what was actually received in FY06-07. She said our projected revenue increase is from property assessed values at +1.5%; it was -0.23% last year.

Assistant City Manager Smith reported operating revenue budget is ~\$15.5 million, including general fund revenue (\$10.5 million). The balance of revenues is restricted by law, part of which is \$4 million of the fire parcel tax that funds our L.A. County Fire and Paramedic Services contract. She stated that the City also accumulates some restricted revenues over more than one year to fund special projects or capital equipment purchases. Budget assumptions regarding expenditures are based on known personnel and benefit costs, but do not reflect potential costs of any new labor agreements. She said the total operating budget is 2% lower than FY10-11; however, some major capital equipment purchases were made this past year. If that was eliminated, the total operating budget reflects a 1.3% increase compared to the current year. Overall, the increased proposed general fund expenditure budget for FY11-12 is less than 3% from FY08-09. Operating expenditures are \$14.4 million, of which public safety constitutes the vast majority (66%). The Police Department operating budget is \$5.6 million.

Assistant City Manager Smith said the capital improvement (general and sewer) budget is \$4.3 million. The sewer capital budget, which is restricted to the sanitary sewer system, is \$2.9 million for Rocky Point Sewer Pump Station construction next year. The annual road program is \$1.2 million of the total general capital budget of \$1.376 million.

Assistant City Manager Smith summarized the next steps in the budget adoption process, including resolutions for adoption at the June 28th meeting. She said the Fire Tax Report and Sewer User Fee Report will also be presented to Council that evening. She concluded that the FY11-12 Work Program will be presented in July.

Mayor Rea commented that the report was excellent.

Councilmember Perkins confirmed with City Manager Hoefgen that the timeline for the efficiency study has not been completed; however, he anticipated that the RFP would be noticed in July, with a consultant on board this summer.

Councilmember Goodhart asked where the City's 50% fund reserve is located within the budget. Assistant City Manager Smith stated that the \$7.2 million reserve (50% of \$14.4 operating budget) is part of the beginning general fund balance shown for July 1, 2011 within the published budget

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document. As a result of the new GASB rules implemented at their meeting last month, the “committed” balance will be reflected in all future financial statements, along with any residual funds that will make up the remainder of the reserve balance.

Councilmember Goodhart observed that enhancement of the Disaster District Plan should include milestones to include development of state of readiness criteria. Councilmember Humphrey confirmed with Councilmember Goodhart this should include associated costs.

Councilmember Goodhart asked what process is being used to recruit the full compliment (25 sworn) of budgeted police officers or if the budget should be reduced if that many positions aren’t needed.

Police Chief Dreiling said they have been actively trying to fill those budgeted positions; they are being very selective in the process. Recent testing has been conducted for lateral police officers and academy graduates. He said they have been extensively scrutinizing candidates; more have been lost in the background check process than have been hired.

Councilmember Humphrey agreed. In this economy, there is probably a better group of applicants from which to draw qualified officers. Chief Dreiling concurred. He confirmed with Councilmember Goodhart that 25 is the current number of positions for which they are hiring.

Mayor Rea opened the public hearing, and with no one coming forward to speak, closed the public hearing.

Councilmember Humphrey commended staff for very thorough presentations and on budget issue papers that would improve service for our residents. She thanked Assistant City Manager Smith, the department heads, and City Manager Hoefgen for their work.

Councilmember Perkins said it is a tribute to the leadership of the City that we are able to have such a good balanced budget that not only maintains core municipal services, but enables us to enhance them in these financial times. She appreciated the presentation made tonight; it is a good budget.

Councilmember Goodhart commented that so many cities in the South Bay are struggling with structural deficits and we are very fortunate, because of our staff, to not have that problem. He said enhancing efficiency while trying to reduce costs to be more economical in service to our community is good. He thanked staff.

Mayor Pro Tem Bird said City employees are to be complimented with doing so much with less and doing such a fine job; the level of service is exceptional. Our citizens expect it, and that service is delivered. The capital improvements funded for next year will enhance the City for a long time; we try to be proactive in terms of the work that needs to be done. He thanked staff for the presentation and preparation of the materials provided.

Mayor Rea agreed; the fact that the City government is focused on providing core municipal services over the years has made it possible during the recession, and in these tough times, for us to continue providing those services and to have a balanced budget so that we are not forced to fall

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short of performing our mandate. It is that focus by the Council, City staff and employees that have made this possible.

On motion of Councilmember Humphrey, staff was directed to prepare budget resolutions for adoption at the June 28, 2011 City Council meeting, as presented. The motion was seconded by Councilmember Goodhart and approved by unanimous oral vote.

NEW BUSINESS

REVIEW AND APPROVAL OF PALOS VERDES BEACH AND ATHLETIC CLUB FY 2011-12 OPERATING AND CAPITAL BUDGETS INCLUDING A \$10 MONTHLY INCREASE IN MEMBERSHIP DUES

Council members Goodhart and Perkins, as member and wait list applicant, respectively, of the Palos Verdes Beach and Athletic Club, recused themselves from discussion and left the Chamber.

Assistant City Manager Smith reported that the PVBAC Board of Directors approved their FY11-12 operating and capital budgets at their May 9th meeting, which was reviewed by Mayor Rea, herself, and club representatives at their liaison meeting of May 23rd. It includes revenue of \$1,369,580, and reflects a \$10 monthly dues increase (\$150 for residents; \$170 for non-residents) for a net income of ~\$30,000. Without the increase, the budget would have reflected an operating loss of ~\$43,000. The last dues increase, also \$10/month, occurred in 2009. As with the last adjustment, the Club believes this proposed dues increase will carry them for the next two years.

Assistant City Manager Smith reported that the budget shows an increase in revenue and labor costs related to operating the summer swim lesson program being offered this year on Club premises, which is about 50% subscribed.

She said the proposed capital budget is \$95,460, which includes some major maintenance and repairs, with a contingency line item of \$26,000. The Club is aging and major sewer line repairs were made last year which necessitated the use of the full \$6000 contingency budgeted, as well as two amendments to the budget approved by Council. The larger contingency can expedite that process when it is necessary.

She noted all club membership has been notified of the proposed dues increase and Council's June review.

Mayor Rea confirmed with Assistant City Manager Smith that the Club would have sought an increase in dues last year had it not been for the gift from the Haag estate and they would have operated at a modest deficit. Mayor Rea also confirmed that the contingency item is only available if there is an overrun on an approved capital item or emergency repairs.

Mayor Pro Tem Bird asked Richard Govenar, PVBAC financial consultant, if there is a net deficit or loss associated with putting on the summer swim program. Mr. Govenar said their major cost is for instructors. They budgeted for a maximum of 308 participants; 108 are now currently registered. They

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don't anticipate any loss on the swim program since they can add or decrease instructor hours as need dictates.

On motion of Mayor Pro Tem Bird, seconded by Councilmember Humphrey, City Council approved the FY 2011-12 Palos Verdes Beach & Athletic Club operating and capital budgets and adopted Resolution R11-10 approving a \$10 increase in monthly dues effective July 1, 2011. The motion was carried by unanimous oral vote; Goodhart and Perkins recused.

Council conveyed their thanks to the Club's leadership for putting on the summer swim program.

Council members Goodhart and Perkins returned to the Chamber.

STAFF REPORTS

City Manager Hoefgen reported the need for the July 12th Municipal Code Review Workshop to be rescheduled. Council rescheduled the review to September 13, 2011 at 5:00 p.m., pursuant to completion of the Planning Commission's review of development and zoning related chapters.

DEMANDS

It was moved by Councilmember Goodhart and seconded by Mayor Pro Tem Bird that the demands of May 27, 2011, as approved by a majority of the City Council, totaling \$222,494.70 be allowed and it was unanimously approved.

It was moved by Councilmember Goodhart and seconded by Mayor Pro Tem Bird that the demands of June 10, 2011 as approved by a majority of the City Council, totaling \$230,245.67 be allowed and it was unanimously approved.

It was moved by Councilmember Goodhart and seconded by Mayor Pro Tem Bird that the demands, as approved by a majority of the City Council, No. 519618H, 519628 to 519716 totaling \$433,177.63 be allowed and it was unanimously approved.

MAYOR & CITY COUNCILMEMBERS' REPORTS

Mayor Rea announced that the June City Newsletter is available online, and reported that PVE-CARES is sponsoring a concert in Lunada Bay Park on Thursday, June 23rd at 4:30pm – 6:00pm. Chaussee's Big Band is scheduled to perform. He noted that membership to PVE-CARES is open to dependent adults aged 18 and over, and interested residents may contact the program's coordinator, Police Captain John Eberhard, for more information.

Councilmember Goodhart reported on his attendance at the retirement reception for resident Gail Tierney of Supervisor Don Knabe's office on June 1st. He presented a Proclamation honoring her 35+ years of service to the County to Ms. Tierney on behalf the City Council.

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Councilmember Goodhart also reported that the Metro (Metropolitan Transit Authority) South Bay Service Council has moved their monthly meetings from Carson Community Center to Inglewood City Hall to make hearings more accessible to the bus-riding community.

Councilmember Perkins reported that the South Bay COG is hosting a legislative breakfast on July 14th at 7:30 a.m. in Manhattan Beach.

Councilmember Humphrey reported on her attendance at the L.A. Division of the League of California Cities dinner on June 2nd with Councilmember Goodhart, City Manager Hoefgen, and Assistant City Manager Smith in Montebello for a presentation on CalPERS/pension reform.

At 8:20 p.m. Council recessed to a continued Closed Session:

- **PUBLIC SERVICE EMPLOYEE PERFORMANCE EVALUATION**
Pursuant to Government Code Section 54957
Title: City Manager

At 9:52 p.m. Council reconvened to Open Session. City Attorney Hogin reported that the Council took no reportable action.

ADJOURNMENT

There being no further business before Council, the meeting was adjourned at 9:53 p.m. to Tuesday, June 28, 2011 for the purpose of a Regular Meeting.

RESPECTFULLY SUBMITTED,

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

APPROVED:

WILLIAM JOHN REA, MAYOR

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