

"Approved by the City Council/Redevelopment Agency Board on August 10, 2005."

CITY COUNCIL/REDEVELOPMENT AGENCY
MINUTES OF THE REGULAR MEETING

WESTMINSTER, CALIFORNIA
July 25, 2005

The City Council/Agency Board of the City of Westminster, California convened on July 25, 2005 at 6:05 p.m. in an Adjourned Regular Meeting in the Council Chambers, 8200 Westminster Blvd, Westminster, California.

6:00 P.M.

ROLL CALL:

PRESENT: RICE, PARIS, FRY, MARSH, QUACH
ABSENT: NONE

SALUTE TO FLAG: Council Member Quach

ORAL COMMUNICATIONS

1. Presentation of the Westminster Rose Center Financial Operating Plan (702-02)

The Finance Director reviewed the Financial Operating Plan for the Westminster Community Cultural Center. The Center should be maintained at or above the standard of other City properties. The City's objective is to operate the Center on a break-even basis, so, the City should consider annual grants or loans. Groups and vendors who use the facility will pay fees and/or will have a reasonable expectation that sufficient fees can be generated from the event to cover the costs of maintaining and operating the facilities. The City plans to enter into exclusive use agreements with Crystal Catering Inc. to provide food services and with a not-for-profit organization, the Rose Center Foundation, to operate a theater enterprise. The City will also use the facilities. The City may consider budgeting funds sufficient to provide a minimum number of grants to offset the cost of civic or community programs, which may be in the form of cash contributions, loans, and/or credits against facility usage costs which must be approved by the City Council.

The Finance Director continued with Operating Plan, Case A and Case B and responded to the following:

1. Determine if the City intends to adopt a facility use policy with regards to the Community Cultural Center.
2. Will the City adopt a policy with regards to the Rose Center to cover potential operating shortfalls that may result from the allocation of maintenance costs?
3. Will the Redevelopment Agency make the appropriate findings and determination to fund maintenance and replacement costs associated with the Center.

Discussion ensued regarding the replacement reserve costs.

Council Member Marsh said he believes the financial objective and policy was represented to the Council as the repair and replacement costs of those things that are expected to be turn-over items like roofing; air conditioning, etc., and not the structural steel for the building. Regarding the depreciation and replacement schedule, he understood that it only incorporates the long term costs of maintaining the improvements and not the regular maintenance costs, because it is included in the per square footage costs for maintenance. He would like to have an entry for depreciation for materials costs for the elevator and for plumbing. He was concerned that roofing, water-proofing and sheet metal flashing were not included in the shared costs. He did not agree that painting would be necessary again in 20 years; he said that was unrealistic. He thought the air conditioning estimate was low.

The Finance Director noted that any changes could be made, but he followed IRS regulations and replacement values for his calculations, and statistics from other theaters in the region.

Council Member Marsh said he would like to have a fixed hourly charge for use of the facility, with a 25% lower rate for bonafide, nonprofit organizations based within the City of Westminster and having more than 50% membership of the group from the City of Westminster.

Council Member Marsh reviewed exclusive use agreements. He said he wanted to explore the option of going out to a private entity instead of the Rose Center Foundation. Also, he did not want a "waiver" given through "City grants for facility use". Regarding the building maintenance budget, he was concerned about the per square foot allocation, because he believes the best way to determine the cost is to base it on labor hours.

The Finance Director explained that they allocated the cost per square foot among the respective square feet of the theater, then contacted other theaters in the area for a comparison.

Council Member Marsh said he was not comfortable with the reliability of the figures and that it needs to be broken down by component. The City Attorney noted that "real" numbers will be available a year after the facility is in operation; for now it is only a projection.

Under "Goal 1", Council Member Marsh said it looks like whoever is managing the theater will be relying on a share of ticket sales to get paid, rather than getting the money up front in an hourly fee. He believes the renter needs to bear the risk of whether or not their performance brings in money, otherwise, it looks like they are afraid to bear the risk. He said that the City needs to be cautious about the reference to artwork. He said he would like to have a provision that after a 9-month start up period, a bid process could prove whether or not the Rose Center Foundation would be the most cost effective. He wanted to know if

the \$50,000 donation from Bridgecreek was designated for construction. Mayor Rice said Mr. Jao from Bridgecreek did not specify what the donation was for, and as yet, it has not been received.

Under "Marketing", Council Member Marsh said that the caterer has the incentive to do marketing; he does not believe the Rose Center Foundation needs to do it.

Council Member Marsh thought that \$30,000 for risk insurance was low. He asked staff to provide the occurrence and the aggregate limits on this. He noted that the estimates under "Income" are dependent on ticket sales estimates, which he believes is unreliable. He said he would like to see "for profit" entities pay for ticket sales up front.

Discussion ensued regarding the use of the theater by certain schools. Mayor Rice stated that she was told the City would be able to get grants more easily if the educational component is there. Sondra Evans stated that there was an idea to enter into a Joint Powers agreement with the Westminster School District to use Warner School for rehearsals.

Regarding reservation priority, Council Member Marsh said the goal should be to lose as little money as possible, or at least pay for maintenance costs. Therefore, priority should be given to "for-profit" events; and second priority to bonafide Westminster charities. He recommends a booking facility rule that is shorter for "for profit" events.

The City Attorney recommended that certain percentages of "for profit" and "non profit" groups be allowed to use it. Council Member Marsh said that the Rose Center Foundation will have an incentive to attract more "for profit" events, so that it will continue to look better than a private contractor management agency.

Council Member Fry stated that a Cerritos type of theater is not what Westminster wants, but rather a community theater for "non profits".

The Finance Director reminded the Council that the bonds that were used to finance the structure were primarily for community use.

Discussion ensued regarding joint use of the bathrooms between the banquet facilities and the theater.

Sondra Evans noted that the timeline is not accurate due to the fact that the opening date was pushed back to March, 2006. So, she feels that the first time any event can be scheduled is in April, 2006.

Council Member Marsh stated he did not want any general fund money to go into the building. The Finance Director responded that the replacement reserve costs need to be funded and where the money will come from will result from a policy statement from the Council.

Council Member Marsh said he would like the City Attorney to review long term capital restrictions in the IRP; and he would like Best Best & Kreiger to review it also.

The City Manager recommended that the Council give direction to the Finance Director to incorporate comments from this evening and come back in about one month for another study session.

Mayor Rice stated that she was sure she did not want to contract out the management of the theater to an outside contractor and she would like the Council to make a decision on that. Council Member Marsh said he wanted to go with the Rose Center Foundation for the first 9 months, then consider contracting out. He requested that discussion of the IRP and CDBG funds be brought back to a future closed session.

Council Member Marsh said he heard there was legislation that may impact the Council's ability to use development funds and he would like to know if that is true.

Tony Lam, member of the Rose Center Foundation, said he was glad to see Sondra Evans and commended her for her work on the project. He said a number of details still need to be worked out.

Shirl Stewart, member of the Rose Center Foundation, said that the Foundation members don't know how much money they will be able to raise, but there is a driving force and the determination to make it work, and a number of people in the community who are able to give generously. Many fund raisers are planned.

Mayor Rice said that the Design Team will be meeting on August 29, 2005, at 2:00 p.m. Mayor Rice thanked all the staff who have been working on this project, especially Sondra Evans. She said she will adjourn the regular meeting in honor of Jerome Catlin, who passed away.

2. MATTERS FROM MAYOR AND CITY COUNCIL MEMBERS - None

COUNCIL ADJOURNMENT: At 7:54 p.m. Mayor/Agency Chair Rice adjourned the meeting.



Janet Mayfield, Assistant City Clerk/
Acting Agency Secretary