

City Council

Adjourned Regular Meeting

Tuesday, May 26, 2015

5:00 PM

5:00 PM Closed Session - City Council Chambers

6:00 PM Budget Study Session #4 - Police/Fire Conference Room



Mayor Wayne Powell
Mayor Pro Tem Mark Burton
Councilmember Tony D'Errico
Councilmember David J. Lesser
Councilmember Amy Howorth

Executive Team

Mark Danaj, City Manager
Quinn Barrow, City Attorney

Robert Espinosa, Fire Chief
Captain Derrick Abell, Acting Human Resources Director
Eve R. Irvine, Police Chief
Mark Leyman, Parks & Recreation Director
Bruce Moe, Finance Director

Nadine Nader, Assistant City Manager
Tony Olmos, Public Works Director
Liza Tamura, City Clerk
Marisa Lundstedt, Community
Development Director

MISSION STATEMENT:

The City of Manhattan Beach is dedicated to providing exemplary municipal services, preserving our small beach town character and enhancing the quality of life for our residents, businesses and visitors.

May 26, 2015

City Council Budget Study Session #4 Agenda Packet

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MANHATTAN BEACH'S CITY COUNCIL WELCOMES YOU!

Your presence and participation contribute to good city government.

By your presence, you are participating in the process of representative government. To encourage that participation, the City Council has specified two additional times for public comments on the agenda.

Copies of staff reports or other written documentation relating to each item of business referred to on this agenda are available for review on the City's website at www.citymb.info, the Police Department located at 420 15th Street, and are also on file in the Office of the City Clerk for public inspection. Any person who has any question concerning any agenda item may call the City Clerk's office at (310) 802-5056.

In compliance with the Americans With Disabilities Act, if you need special assistance to participate in this meeting, you should contact the Office of the City Clerk at (310) 802-5056 (voice) or (310) 546-3501 (TDD). Notification 36 hours prior to the meeting will enable the City to make reasonable arrangements to assure accessibility to this meeting.

BELOW ARE THE AGENDA ITEMS TO BE CONSIDERED. THE RECOMMENDED COUNCIL ACTION IS LISTED IMMEDIATELY AFTER THE TITLE OF EACH ITEM IN BOLD CAPITAL LETTERS.**A. CALL MEETING TO ORDER - 5:00 PM CITY COUNCIL CHAMBERS****B. PLEDGE TO THE FLAG****C. ROLL CALL**

1 MINUTE

D. CERTIFICATION OF MEETING NOTICE AND AGENDA POSTING

1 MINUTE

I, Liza Tamura, City Clerk of the City of Manhattan Beach, California, state under penalty of perjury that this notice/agenda was posted on Thursday, May 21, 2015, on the City's Website and on the bulletin boards of City Hall, Joslyn Community Center and Manhattan Heights.

E. PUBLIC COMMENTS ON CLOSED SESSION ITEMS

3 MINUTES PER PERSON

F. ANNOUNCEMENT IN OPEN SESSION OF ITEMS TO BE DISCUSSED IN CLOSED SESSION

1. CONFERENCE WITH LEGAL COUNSEL (EXISTING LITIGATION)

(Government Code Section 54956.9(a)) (3 cases)

a) Stephen Lancaster vs. City of Manhattan Beach; Workers' Compensation Appeals Board - Case Numbers ADJ8255383, ADJ8255384, ADJ8879104, ADJ8876369

b) Tony Riley vs. City of Manhattan Beach; Workers' Compensation Appeals Board - Case Numbers ADJ737725, ADJ7352081

c) John Nasori vs. City of Manhattan Beach; Worker's Compensation Appeals Board - Case Number ADJ8158131

G. RECESS INTO CLOSED SESSION

H. RECONVENE INTO OPEN SESSION

I. CLOSED SESSION ANNOUNCEMENT IN OPEN SESSION

J. RECESS

K. RECONVENE AT 6:00 PM IN THE POLICE/FIRE CONFERENCE ROOM

L. PLEDGE TO THE FLAG AND NATIONAL ANTHEM

Amber Rose Manley

5 MINUTES

M. ROLL CALL

1 MINUTE

N. PUBLIC COMMENT ON NON-AGENDA ITEMS

3 MINUTES PER PERSON - 30 MINUTES MAXIMUM

Speakers may comment on any item of interest to the public that is within the subject matter jurisdiction of the legislative body, not including items on the agenda. The Mayor may determine whether an item is within the subject matter jurisdiction of the City. While all comments are welcome, the Brown Act does not allow City Council to take action on any item not on the agenda, except under very limited circumstances. Please complete the "Request to Address the City Council" card by filling out your name, city of residence, and returning it to the City Clerk.

O. GENERAL BUSINESS*30 MINUTES PER ITEM*

1. Fiscal Year 2015-2016 Proposed Operating Budget Study Session #4: [15-0201](#)
Outstanding Items and Wrap Up (Finance Director Moe).
DISCUSS AND PROVIDE DIRECTION

2. Presentation by Independent Actuary on the Status and Projections of [15-0264](#)
the City's Three CalPERS Pension Plans and Options for Addressing the
City's Unfunded Liabilities (Finance Director Moe)
RECEIVE REPORT

Attachments: [Draft PowerPoint Presentation - Bartel Associates](#)

3. Consideration of Nikau Kai Waterman Shop and Hermosa Cyclery to [15-0252](#)
Provide Beach Concessions and a Welcome/Information Center in the
Sand Lot South of the Lower South Pier Parking Lot
APPROVE

Attachments: [Beach Concessions Proposed Agreement](#)
[Proposed Site Plan](#)
[Nikau Kai Waterman Shop Proposal](#)
[Hermosa Cyclery Proposal](#)
[Perfect Day Surf Camp Proposal](#)
[Camp Surf Proposal](#)
[Request for Quotations for Beach Concessions](#)

P. OTHER COUNCIL BUSINESS, COMMITTEE AND TRAVEL REPORTS, FUTURE DISCUSSION ITEMS*5 MINUTES PER CITY COUNCILMEMBER FOR TOTAL OF 25 MINUTES***Q. ADJOURNMENT**

R. FUTURE MEETINGS

CITY COUNCIL MEETINGS

Jun. 2, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Jun. 16, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Jul. 7, 2015 – Tuesday -- 6:00 PM - City Council Meeting/Reorganization
Jul. 21, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Aug. 4, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Aug. 18, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Sep. 1, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Sep. 15, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Oct. 6, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Oct. 20, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Nov. 3, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Nov. 17, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Dec. 1, 2015 – Tuesday -- 6:00 PM - City Council Meeting
Dec. 15, 2015 – Tuesday -- 6:00 PM - City Council Meeting

BOARDS, COMMISSIONS AND COMMITTEE MEETINGS

May 27, 2015 – Wednesday – 6:30 PM -- Planning Commission Meeting
May 28, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting
June 8, 2015 – Monday – 6:30 PM – Library Commission Meeting
June 9, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting
June 10, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting
June 22, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting
June 24, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting
June 25, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting
July 8, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting
July 13, 2015 – Monday – 6:30 PM – Library Commission Meeting
July 14, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting
July 22, 2015 – Wednesday – 6:30 PM – Planning Commission Meeting
July 23, 2015 – Thursday – 6:30 PM -- Parking & Public Improvements Commission Meeting
July 27, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting
August 10, 2015 – Monday – 6:30 PM – Library Commission Meeting
August 11, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting
August 24, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting
September 14, 2015 – Monday – 6:30 PM – Library Commission Meeting
September 15, 2015 – Tuesday – 6:30 PM – Cultural Arts Commission Meeting
September 28, 2015 – Monday – 6:30 PM – Parks and Recreation Commission Meeting

S. CITY HOLIDAYS

CITY OFFICES CLOSED ON THE FOLLOWING DAYS:

Jul. 3, 2015 - Friday - Independence Day

Sep. 7, 2015 – Monday – Labor Day

Oct. 12, 2015 – Monday – Columbus Day

Nov. 11, 2015 – Wednesday – Veterans Day

Nov. 26-27, 2015 – Thursday & Friday – Thanksgiving Holiday

Dec. 25, 2015 – Friday – Christmas Day

Jan. 1, 2016 – Friday – New Years Day

Jan. 18, 2016 – Monday – Martin Luther King Day

May 30, 2016 - Monday - Memorial Day

Agenda Date: 5/26/2015

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Bruce Moe, Finance Director

SUBJECT:

Fiscal Year 2015-2016 Proposed Operating Budget Study Session #4: Outstanding Items and Wrap Up (Finance Director Moe).

DISCUSS AND PROVIDE DIRECTION

RECOMMENDATION:

Staff recommends that the City Council discuss the Fiscal Year 2015-2016 budget and provide direction.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with the recommended action.

DISCUSSION:

Please find this link to the Proposed Fiscal Year 2015-2016 Operating Budget at <http://www.citymb.info/OperatingBudget> as supporting documentation for all budget study sessions noted in this report.

To date, the City Council has reviewed and discussed the FY 15-16 budget at a total of four meetings:

- May 5th Overview & Highlights
- May 7th Budget Study Session #1 - Police and Fire Departments
- May 11th Budget Study Session #2 - Management Services, Parks & Recreation, Human Resources, Finance and Information Technology
- May 21st Community Development and Public Works

This fourth and final budget study session is designed to provide City Council the opportunity to ask questions and give direction to staff that may then be incorporated into the adopted budget. One additional opportunity will occur at the regularly scheduled Council meeting of

June 2, 2015. Public hearing and adoption is scheduled for the June 16, 2015 City Council meeting. The budget takes effect July 1, 2015.

While the City Council has not directed changes to the FY 2015-2016 budget thus far, staff is following up on several comments made by Councilmembers which include:

- Researching the cost efficiency of overtime versus additional staffing in the Fire Department
 - This will be studied and presented to the City Council during summer 2015
- Creation of an Economic Development plan for the new Economic Vitality Manager
 - This will occur after the hiring for the position
- Development of a 5-10 year plan for going paperless
 - This will be included as a goal for the new Information Technology Director
- Posting of D-Card transactions on the financial reports similar to how P-Card transactions are included
 - This has already been provided with the warrant register since August 2013 shortly after the inception of the D-Card program
- Provide statistics on unique Granicus viewers
 - Statistics are posted on the City website each week. Please visit <http://www.citymb.info/home/showdocument?id=18957> for the most up-to-date statistics. The report lists total visits and total unique visitors. The difference between the two indicates the number of visits by returning viewers.

- The addition of content to the City's cable television channel
 - A new policy will be forthcoming with the hiring of the IT Director, and will be the basis of future content
- Funding for a new pool, including possible Beach Cities Health District participation; provide information on history and challenges inhibiting progress
 - Staff will provide information in the next 6-8 weeks

Staff is prepared to take direction from City Council tonight to begin the process of finalizing the FY 2015-2016 budget. Any changes directed will be incorporated into the final budget through City Council resolution.

CONCLUSION:

Staff recommends that the City Council discuss the Fiscal Year 2015-2016 budget and provide direction.

Agenda Date: 5/26/2015

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Bruce Moe, Finance Director

SUBJECT:

Presentation by Independent Actuary on the Status and Projections of the City's Three CalPERS Pension Plans and Options for Addressing the City's Unfunded Liabilities (Finance Director Moe)

RECEIVE REPORT

RECOMMENDATION:

Staff recommends that the City Council receive a presentation by an independent actuary on the status and projections for the City's three CalPERS pension plans (Miscellaneous, Police and Fire) and options for address the City's unfunded pension liabilities.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with receiving the report. Further financial considerations are discussed below.

BACKGROUND:

The City spends approximately \$5.6 million (FY 15-16) citywide on pension contributions to CalPERS for the City's employees. These costs are estimated to rise over the coming years due to a number of factors, including changes in CalPERS policies (e.g., no asset smoothing), assumption changes (e.g., mortality improvements), and changes to the risk pools, which our Fire and Police plans participate, including the basis upon which payment of unfunded liabilities are allocated in those pools.

The five year forecast included in the FY 2015-2016 budget projects that the annual pension payments will increase by \$2.2 million by FY 2019-2020.

DISCUSSION:

In response to a request by the City Council regarding the City's pension liabilities, staff hired the preeminent independent actuary in the state, John Bartel of Bartel Associates, to review

the City's three pension plans, project rates and provide options for addressing the unfunded liabilities. Mr. Bartel will present this information at this City Council meeting. A draft copy of his PowerPoint presentation is attached.

At a high level, Mr. Bartel's presentation includes:

- Demographic information
- Plan funding status
- Asset valuations
- Contribution rates and projections
- Effects of the Governmental Accounting Standards Board (GASB) pronouncement 68 (pension accounting) on the City's financial statements
- Options for paying down unfunded liabilities

Staff recommends that the City Council receive Mr. Bartel's presentation. Staff anticipates performing further research into the options listed for addressing the unfunded liabilities, and returning to the City Council with recommendations in late summer to early fall 2015.

CONCLUSION:

Staff recommends that the City Council receive a presentation by an independent actuary on the status and projections for the City's three CalPERS pension plans (Miscellaneous, Police and Fire) and options for address the City's unfunded pension liabilities.

Attachment #1 Draft PowerPoint Presentation - Bartel Associates



BARTEL
ASSOCIATES, LLC

**CITY OF MANHATTAN BEACH
MISCELLANEOUS AND SAFETY PLANS**

**CalPERS Actuarial Issues – 6/30/13 Valuation
Preliminary Results**

Presented by **John E. Bartel, President**
Prepared by Bianca Lin, Assistant Vice President
Adam Zimmerer, Actuarial Analyst
Bartel Associates, LLC

May 26, 2015

Agenda

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PENSION TERMINOLOGY

- **Defined Benefit Plan:** Guaranteed annual pension based on retirement age, years of service and salary, for example
 - Public Sector – CalPERS
 - Private Sector – Generally only very large employers
- **Defined Contribution Plan:** Employer contribution is a fixed dollar amount; benefit based on contributions and investment earnings net of expenses
 - Public Sector – 457 Plan
 - Private Sector – 401(k) Plan
- **Individual Vested Rights:** As determined by CA Supreme Court
 - Employee must be eligible to continue earning benefit formula in place when hired.
 - Cannot be reduced or eliminated unless traded for something of equal or greater value.
 - Individual right, cannot be negotiated away.
 - Recent Stockton decision indicates may be set aside in bankruptcy



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CALPERS HISTORY

- Established in 1932
- Local public agency employees allowed to contract with CalPERS in 1939
 - City joined in 1947
- Investment strategy
 - Initial legislation had tight restrictions on how funds could be invested
 - Proposition 21 passed in 1984 allowed CalPERS to invest up to 25% of assets in public equities
 - Proposition 162 passed in 1992 allowing board to have absolute and exclusive powers over administration and investment of CalPERS funds



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CALPERS HISTORY

- Enhanced pension formulas
 - SB 400 passed in 1999 allowed enhanced Safety formulas
 - Before: 2% @55, 2.5% @55, 2% @50
 - Added formulas: 3% @55, 3% @50
 - AB 616 passed in 2001 allowed enhanced Miscellaneous formulas
 - Before: 2% @60, 2% @55
 - Added formulas: 2.5% @55, 2.7% @55, 3% @60
 - Adopting enhanced formulas applied retroactively to all agency service
- CalPERS Retirement formulas
 - Options used to vary based on contract between Agency and CalPERS
 - New Law (PEPRA) now mandates formulas



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CALPERS CHANGES

- Contribution policy changes:
 - No asset smoothing
 - 5-year ramp up
 - Included in 6/30/13 valuation (first impact 15/16 rates; full impact 19/20)
- Assumption changes:
 - Anticipate future mortality improvement
 - Other, less significant, changes
 - Included in 6/30/14 valuation (first impact 16/17 rates; full impact 20/21)
- Risk Pool changes
 - All Risk Pools combined into one Miscellaneous & one Safety
 - Collect payment on UAL as dollar amount, not as % of pay
 - Payments allocated to agencies based on liability & assets rather than payroll
 - Included in 6/30/13 valuation (impacts 15/16 rates)



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SUMMARY OF DEMOGRAPHIC INFORMATION - MISCELLANEOUS

	1996	2003	2012	2013
Actives				
■ Counts	150	170	199	192
■ Average				
• Age	43	45	45	45
• City Service	7	9	10	11
• PERSable Wages	\$39,100	\$50,800	\$64,600	\$64,400
■ Total PERSable Wages (millions)	6.7	9.5	14.0	13.5
Receiving Payments				
■ Counts				
• Service		100	149	151
• Disability		20	15	15
• Beneficiaries		20	27	29
• Total	107	140	191	195
■ Average Annual City Provided Benefit ¹				
• Service		\$9,700	\$17,300	\$18,400
• Disability		4,400	4,800	4,600
• Service Retirements in last 5 years		8,900	26,600	27,900

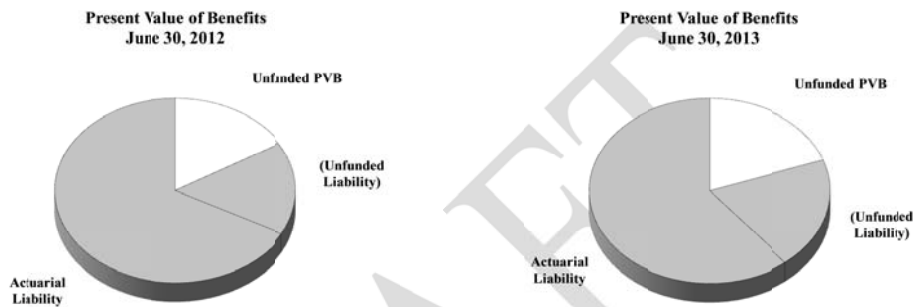
¹ Average City provided pensions are based on City service & City benefit formula, and are not representative of benefits for long service employees.



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PLAN FUNDED STATUS - MISCELLANEOUS



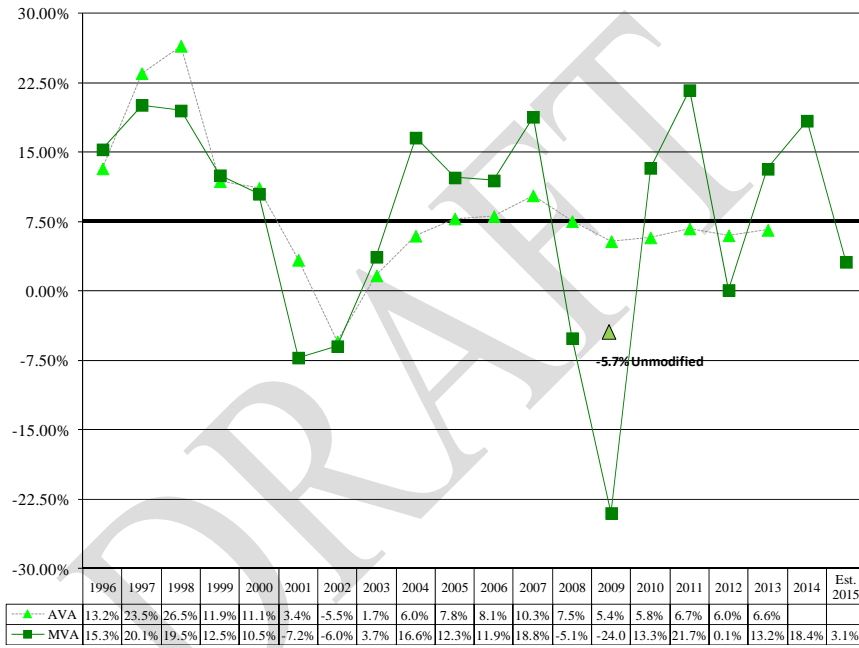
<u>June 30, 2012</u>			<u>June 30, 2013</u>	
\$	74,100,000	Actuarial Liability	\$	77,400,000
	66,600,000	Actuarial Asset Value		70,100,000
	(7,500,000)	(Unfunded Liability)		(7,300,000)
<u>June 30, 2012</u>			<u>June 30, 2013</u>	
\$	74,100,000	Actuarial Liability	\$	77,400,000
	55,600,000	Market Asset Value		61,800,000
	(18,500,000)	(Unfunded Liability)		(15,600,000)



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CALPERS HISTORICAL INVESTMENT RETURN



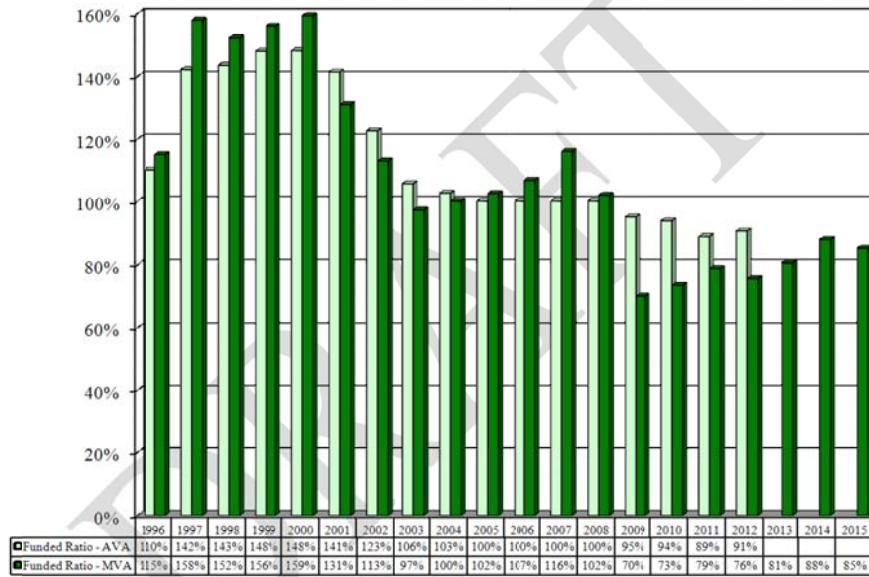
Above assumes contributions, payments, etc. received evenly throughout year. Estimated 6/30/15 based on CalPERS actual return through 3/31/15 and assumed 7.5% annual return for the remaining 3 months.



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FUNDED RATIO - MISCELLANEOUS



6/30/14 & 6/30/15 funded status estimated.

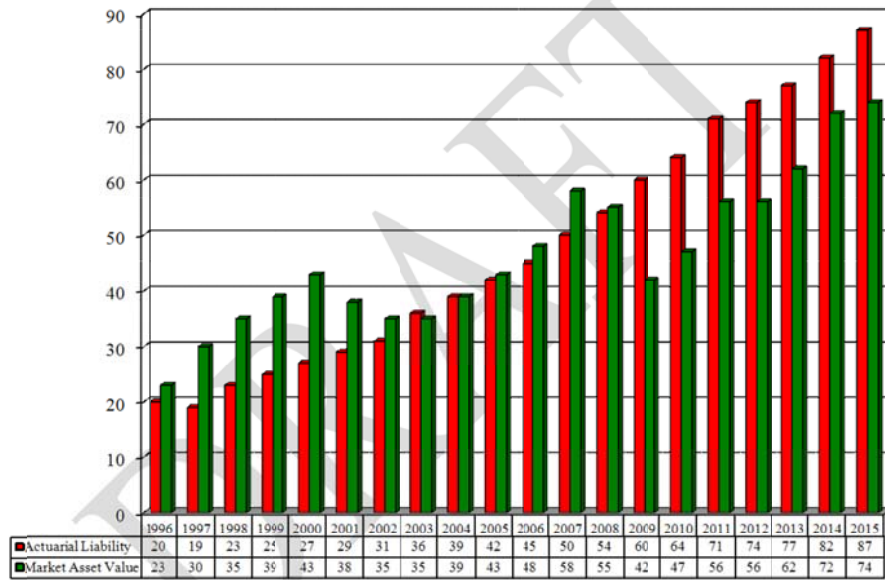
AVA is being set equal to MVA and a separate AVA is not available starting 6/30/13.



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FUNDED STATUS (MILLIONS) - MISCELLANEOUS



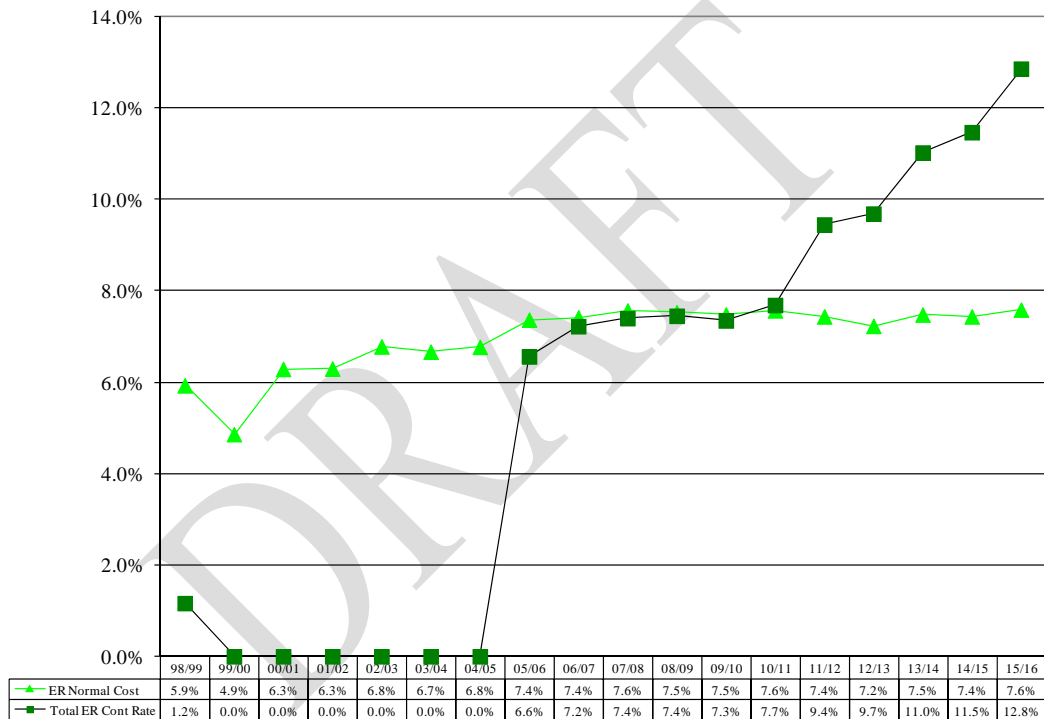
6/30/14 & 6/30/15 funded status estimated



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CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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CONTRIBUTION PROJECTIONS - MISCELLANEOUS

■ Market Value Investment Return:

- June 30, 2012 0.1%²
 - June 30, 2013 13.2%²
 - June 30, 2014 18.4%²
- | | <u>Poor</u> | <u>Expected</u> | <u>Good</u> |
|------------------------------|--------------------|-----------------|----------------------|
| ● June 30, 2015 ³ | 1.3% | 3.2% | 4.9% |
| ● June 30, 2016 - 2020 | 0.2% - 4.1% | 7.5% | 11.3% - 15.1% |

■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements

■ Excludes Employer Paid Member Contributions (EPMC)

■ Includes CalPERS Board adopted assumption changes, first impact 2016/17

■ New hire assumptions:

- Assumes 50% of 2013 new hires will be Classic Members (2.0% @55) and 50% will be New Members with PEPRA benefits.
- Assumes Classic Members will decrease from 50% to 0% of new hires over 20 years.

² Based on CalPERS CAFR.

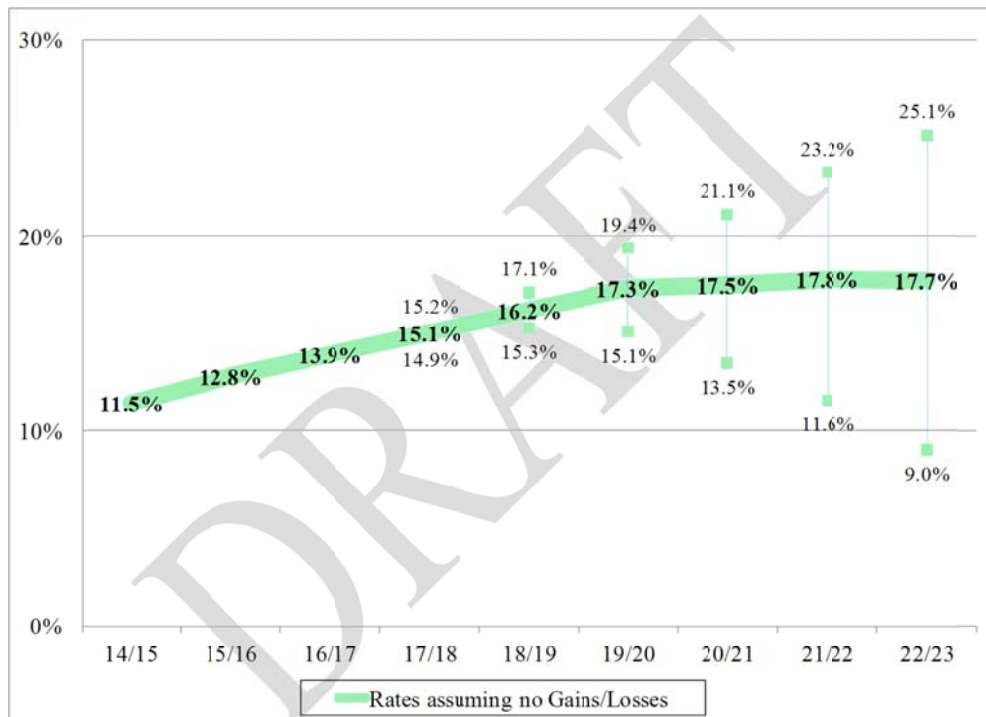
³ Based on CalPERS return of 1.3% through 3/31/15 and assumed annual return for 3 months.



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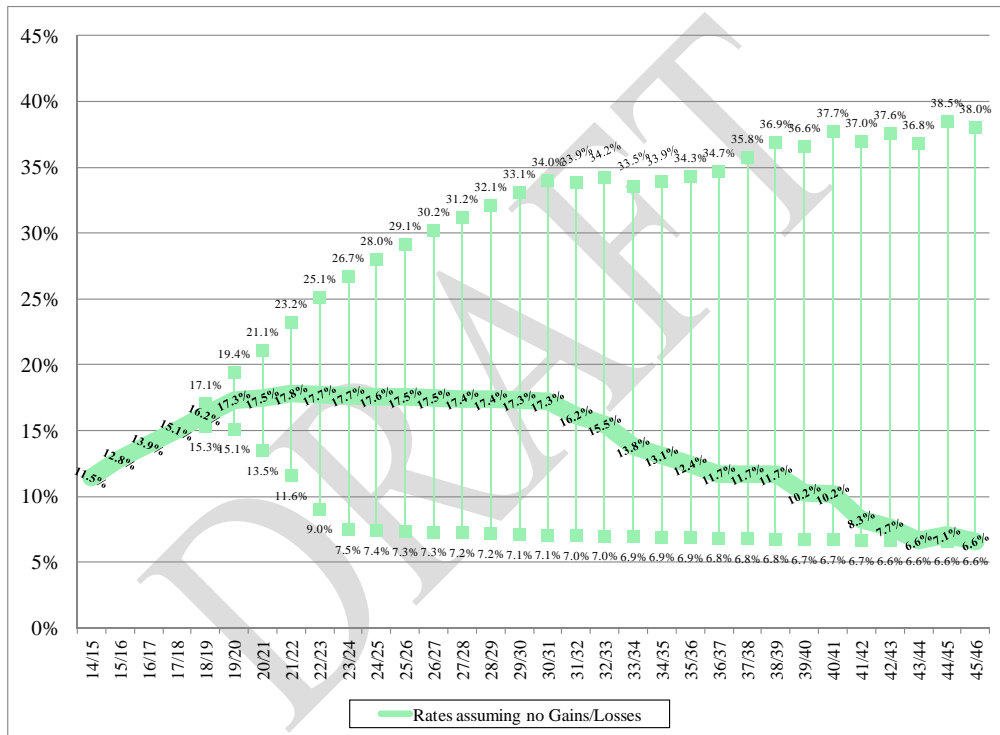
CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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CONTRIBUTION PROJECTIONS - MISCELLANEOUS



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CONTRIBUTION PROJECTIONS - MISCELLANEOUS

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SUMMARY OF DEMOGRAPHIC INFORMATION – POLICE SAFETY

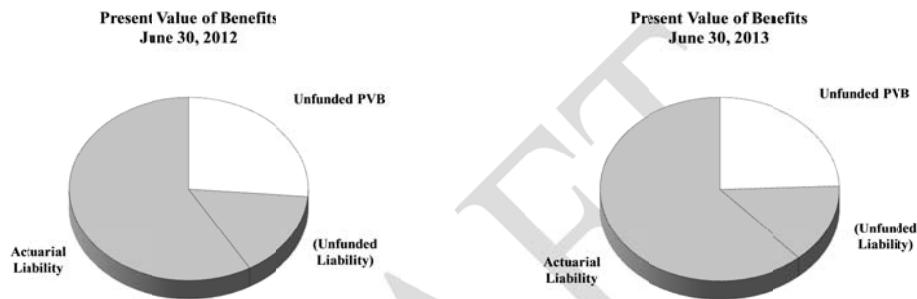
	2001	2011	2012	2013
Actives				
■ Counts	63	59	60	58
■ Average PERSable Wages	\$71,600	\$121,500	\$121,800	\$120,500
■ Total PERSable Wages (millions)	4.5	7.2	7.3	7.0
Inactive Counts				
■ Transferred	23	17	16	15
■ Separated	3	9	9	10
■ Receiving Payments	63	104	107	110



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PLAN FUNDED STATUS – POLICE SAFETY



<u>June 30, 2012</u>		<u>June 30, 2013</u>
\$ 93,900,000	Actuarial Liability	\$ 97,300,000
82,700,000	Actuarial Asset Value	N/A
(11,200,000)	(Unfunded Liability)	N/A
<u>June 30, 2012</u>		<u>June 30, 2013</u>
\$ 93,900,000	Actuarial Liability	\$ 97,300,000
69,300,000	Market Asset Value	75,500,000
(24,600,000)	(Unfunded Liability)	(21,800,000)



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CONTRIBUTION RATES – POLICE SAFETY

	<u>6/30/12</u>	<u>6/30/13</u>
	<u>2014/15</u>	<u>2015/16</u>
■ Valuation		
■ Contribution Year		
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	17.5%	17.6%
● Final Average Compensation (1-Year)	1.0%	1.0%
● Post-Retirement Survivor Allowance	<u>1.7%</u>	<u>1.7%</u>
● Total Normal Cost	20.2%	20.2%
● Risk Pool's Payment on Amortization Bases	<u>9.4%</u>	<u>13.3%</u>
● Total Employer Contribution	29.6%	33.5%
● Employee Cost Sharing ⁴	<u>(3.0%)</u>	<u>(3.0%)</u>
● Net Employer Contributions	26.6%	30.5%
● Net Employer Contribution \$	\$2,121	\$2,328
■ What Happened from 6/30/12 to 6/30/13:		
● 2014/15 Rate		26.6%
● Asset Method		2.0%
● Risk Pool Changes		0.8%
● Payroll Increase Less Than Expected		0.8%
● (Gains)/Losses		<u>0.3%</u>
● 2015/16 Rate		30.5%

⁴ 3% for Tier 1 employees.



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CONTRIBUTION PROJECTIONS – POLICE SAFETY

■ Market Value Investment Return:				
● June 30, 2012				0.1% ⁵
● June 30, 2013				13.2% ⁴
● June 30, 2014				18.4% ⁴
	<u>Poor</u>	<u>Expected</u>	<u>Good</u>	
● June 30, 2015 ⁶	1.3%	3.2%	4.9%	
● June 30, 2016 - 2020	0.2% - 4.1%	7.5%	11.3% - 15.1%	
■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements				
■ Excludes Employer Paid Member Contributions (EPMC)				
■ Includes CalPERS Board adopted assumption changes, first impact 2016/17				
■ New hire assumptions:				
● Assumes 50% of 2013 new hires will be Classic Members (3% @50) and 50% will be New Members with PEPRA benefits.				
● Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years				

⁵ Based on CalPERS CAFR.

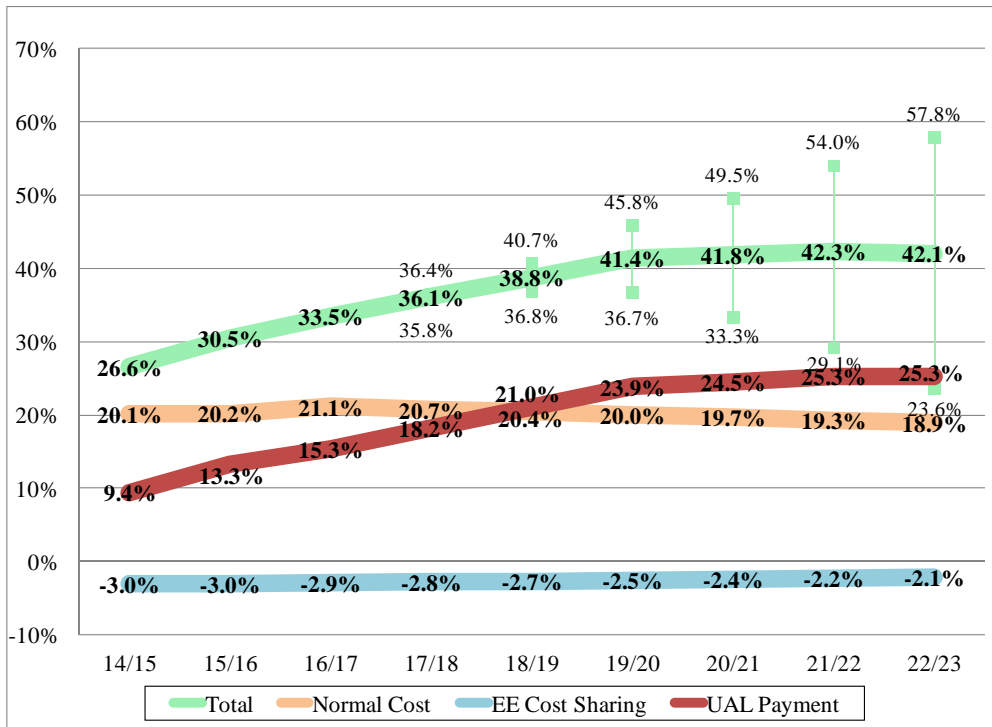
⁶ Based on CalPERS return of 1.3% through 3/31/15 and assumed annual return for 3 months.



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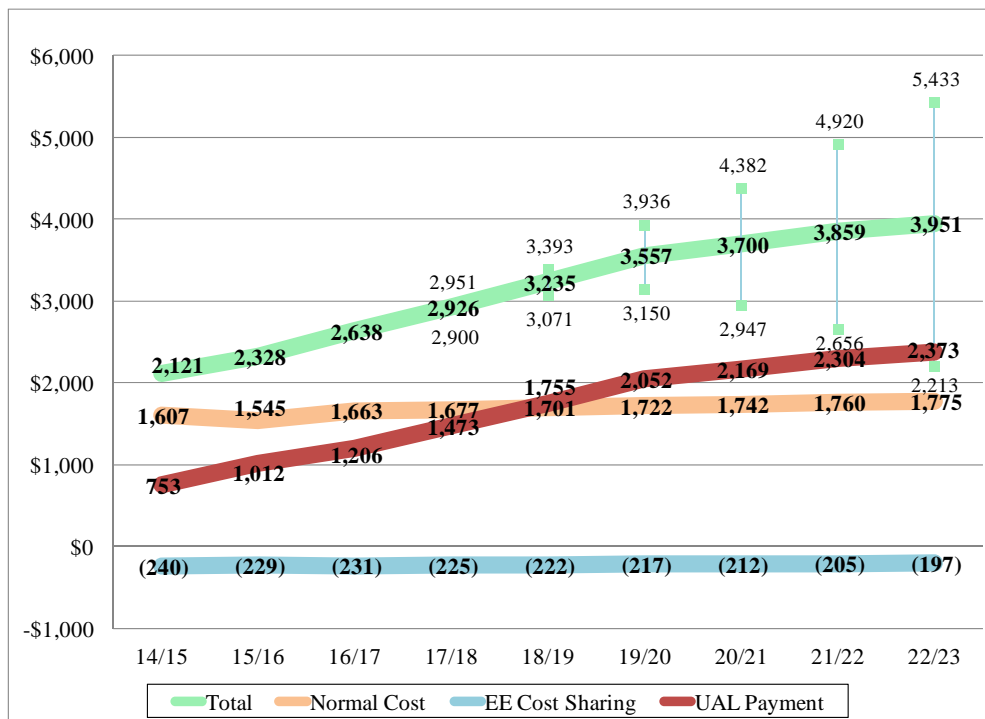
CONTRIBUTION PROJECTIONS – POLICE SAFETY



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CONTRIBUTION PROJECTIONS – POLICE SAFETY



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SUMMARY OF DEMOGRAPHIC INFORMATION – FIRE SAFETY

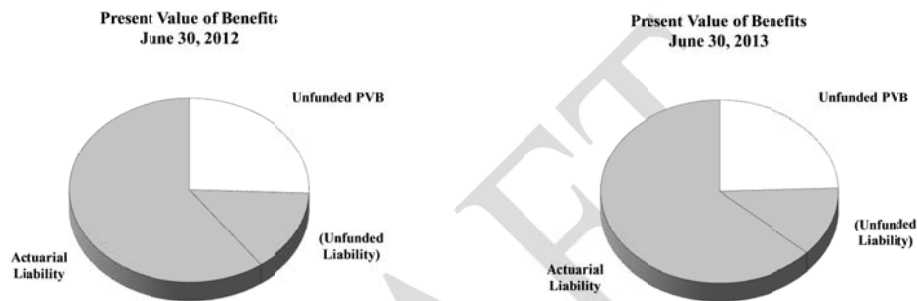
	2001	2011	2012	2013
Actives				
■ Counts	30	27	29	30
■ Average PERSable Wages	\$82,300	\$144,400	\$145,600	\$145,300
■ Total PERSable Wages (millions)	2.5	3.9	4.2	4.4
Inactive Counts				
■ Transferred	11	5	5	5
■ Separated	1	4	3	3
■ Receiving Payments	41	54	54	51



May 26, 2015



PLAN FUNDED STATUS – FIRE SAFETY



June 30, 2012		June 30, 2013	
\$ 49,200,000	Actuarial Liability	\$ 48,900,000	
44,400,000	Actuarial Asset Value	N/A	
(4,800,000)	(Unfunded Liability)	N/A	
June 30, 2012		June 30, 2013	
\$ 49,200,000	Actuarial Liability	\$ 48,900,000	
37,300,000	Market Asset Value	39,400,000	
(11,900,000)	(Unfunded Liability)	(9,500,000)	



May 26, 2015



CONTRIBUTION RATES – FIRE SAFETY

■ Valuation	6/30/12	6/30/13
■ Contribution Year	<u>2014/15</u>	<u>2015/16</u>
■ Required Employer Contribution		
● Risk Pool's Net Employer Normal Cost	15.4%	15.6%
● Final Average Compensation (1-Year)	0.9%	0.9%
● Post-Retirement Survivor Allowance	<u>1.7%</u>	<u>1.7%</u>
● Total Normal Cost	18.0%	18.2%
● Risk Pool's Payment on Amortization Bases	<u>5.9%</u>	<u>8.8%</u>
● Total Employer Contribution	23.9%	27.0%
● Employee Cost Sharing ⁷	<u>(3.0%)</u>	<u>(3.0%)</u>
● Net Employer Contribution	20.9%	24.0%
● Net Employer Contribution \$	\$967	\$1,143
■ What Happened from 6/30/12 to 6/30/13:		
● 2014/15 Rate		20.9%
● Asset Method		1.6%
● Risk Pool Changes		1.2%
● (Gains)/Losses		<u>0.3%</u>
● 2015/16 Rate		24.0%

⁷ 3% for Tier 1 employees.



May 26, 2015



CONTRIBUTION PROJECTIONS – FIRE SAFETY

■ Market Value Investment Return:				
● June 30, 2012				0.1% ⁸
● June 30, 2013				13.2% ⁶
● June 30, 2014				18.4% ⁶
	<u>Poor</u>	<u>Expected</u>	<u>Good</u>	
● June 30, 2015 ⁹	1.3%	3.2%	4.9%	
● June 30, 2016 - 2020	0.2% - 4.1%	7.5%	11.3% - 15.1%	
■ No Other: Gains/Losses, Method/Assumption Changes, Benefit Improvements				
■ Excludes Employer Paid Member Contributions (EPMC)				
■ Includes CalPERS Board adopted assumption changes, first impact 2016/17				
■ New hire assumptions:				
● Assumes 50% of 2013 new hires will be Classic Members (3% @55) and 50% will be New Members with PEPRA benefits.				
● Assumes Classic Members will decrease from 50% to 0% of new hires over 10 years				

⁸ Based on CalPERS CAFR.

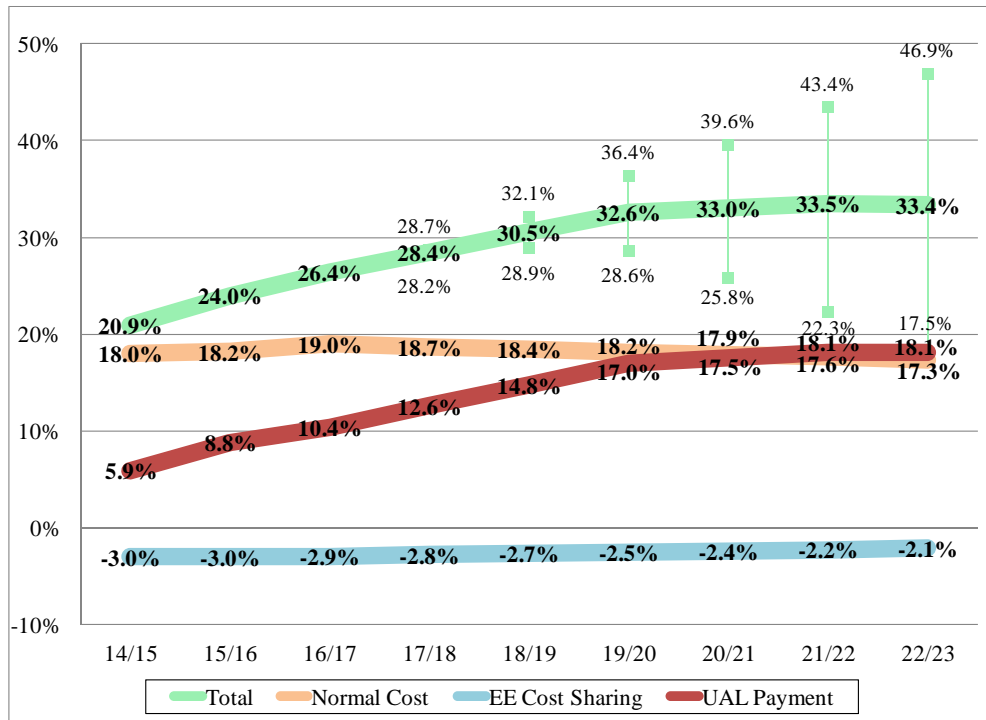
⁹ Based on CalPERS return of 1.3% through 3/31/15 and assumed annual return for 3 months.



May 26, 2015



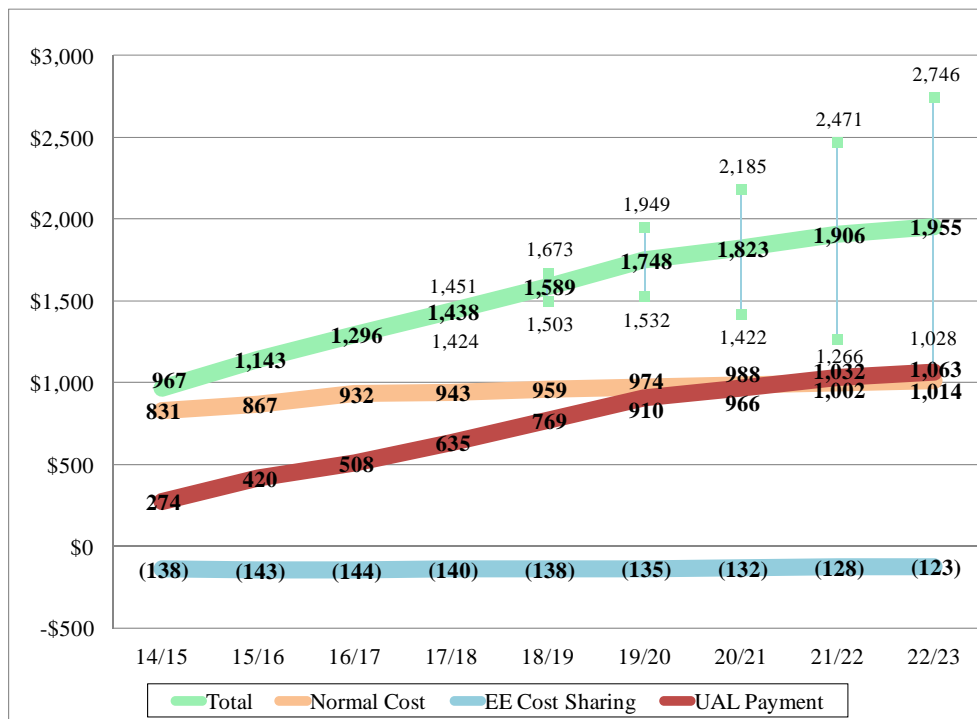
CONTRIBUTION PROJECTIONS – FIRE SAFETY



May 26, 2015



CONTRIBUTION PROJECTIONS – FIRE SAFETY



May 26, 2015



GASB 68

■ **Pension Accounting:**

- GASB 68, Accounting for Employers, approved June 25, 2012
- Replaces GASB 27
- Effective 2014/15

■ **Major Issues:**

- Unfunded liability on balance sheet
 - Expense calculation disconnected from contribution calculation
 - Discount rate is
 - Expected return on plan assets when assets sufficient to pay benefits
 - Municipal bond rate when assets not sufficient to pay benefits
- Likely caused CalPERS to modify assets smoothing and/or amortization policy to avoid using discount rate lower than expected return (7.5%).*

■ **Projected June 30, 2014 Unfunded Actuarial Liability (in Millions)**

Plan	Total Pension Liability (AAL)	Fiduciary Net Position (MVA)	Net Pension Liability (UAL)
Police Safety	\$102.6	\$88.0	\$14.6
Fire Safety	51.9	46.2	5.7
Miscellaneous	81.9	72.3	9.6
Total Net Pension Liability			\$29.9



GASB 68

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PEPRA COST SHARING

- Target of 50% of total normal cost for everyone
- *New members* must pay greater of 50% of total normal cost or bargained amount if higher
- Employer cannot pay any part of *new member* required employee contributions
- Employer may impose current employees pay 50% of total normal cost (limited to certain amounts) if not agreed through collective bargaining by 1/1/18
- Miscellaneous Plan

	<u>Current Members</u>	<u>New Members</u>
	Tier 1	Tier 2
	<u>2% @ 55</u>	<u>2% @ 62</u>
● Employer Normal Cost	7.6%	6.25%
● Member Normal Cost	<u>7.0%</u>	<u>6.25%</u>
● Total Normal Cost	14.6%	12.50%
● 50% Target	7.3%	6.25%



May 26, 2015



PEPRA COST SHARING

- Police Safety Plan

	<u>Current Members</u>	<u>New Members</u>
	Tier 1	Tier 2
	<u>3% @ 50</u>	<u>2.7% @ 57</u>
● Employer Normal Cost	17.2%	12.25%
● Member Normal Cost ¹⁰	<u>12.0%</u>	<u>12.25%</u>
● Total Normal Cost	29.2%	24.50%
● 50% Target	14.6%	12.25%

- Fire Safety Plan

	<u>Current Members</u>	<u>New Members</u>
	Tier 1	Tier 2
	<u>3% @ 55</u>	<u>2.7% @ 57</u>
● Employer Normal Cost	15.2%	12.25%
● Member Normal Cost ¹¹	<u>12.0%</u>	<u>12.25%</u>
● Total Normal Cost	27.2%	24.50%
● 50% Target	13.6%	12.25%

¹⁰ Includes cost sharing.

¹¹ Includes cost sharing.



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PAYING DOWN THE UNFUNDED LIABILITY

- Pension Obligation Bond (POB)
 - Interest arbitrage between expected CalPERS earnings and rate paid on POB
 - Not guaranteed
- Borrow from General Fund
 - Pay GF back like a loan
 - Payments come from all funds
- Request shorter amortization period of CalPERS
 - Higher short term payments
 - Less interest and lower long term payments
- One time payments
 - Council resolution to use portion of one time money



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PAYING DOWN THE UNFUNDED LIABILITY

- Internal Service Fund
 - Restricted investments
 - Likely low (0.5% - 1.0%) investment returns
 - Short term/high quality
 - Designed for preservation of principal
 - Assets could be used by Council for other purposes
- Irrevocable Supplemental (§115) Pension Trust
 - One Trust established so far
 - PARS & PFM
 - Investments significantly less restricted
 - Designed for long term returns
 - Likely much higher (5% - 7%) investment return
 - Assets could not be used by Council for other purposes
 - Can only be used to:
 - Reimburse City for CalPERS contributions
 - Make payments directly to CalPERS



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PAYING DOWN THE UNFUNDED LIABILITY

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May 26, 2015



PAYING DOWN THE UNFUNDED LIABILITY

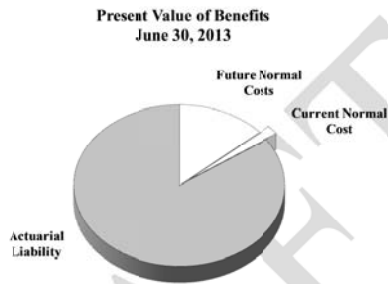
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May 26, 2015



DEFINITIONS



- **PVB - Present Value of all Projected Benefits:**
 - Discounted value (at valuation date - 6/30/13), of all future expected benefit payments based on various (actuarial) assumptions
- **Actuarial Liability:**
 - Discounted value (at valuation date) of benefits earned through valuation date [value of past service benefit]
 - Portion of PVB “earned” at measurement
- **Current Normal Cost:**
 - Portion of PVB allocated to (or “earned” during) current year
 - Value of employee and employer current service benefit

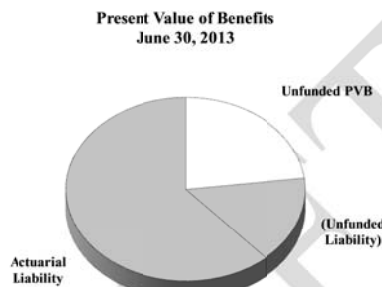


May 26, 2015

E-1



DEFINITIONS



- **Target-** Have money in the bank to cover Actuarial Liability (past service)
- **Unfunded Liability -** Money short of target at valuation date
- **Excess Assets / Surplus:**
 - Money over and above target at that point in time.
 - Doesn't mean you're done contributing.
- **Super Funded:**
 - Assets cover whole pie (PVB)
 - If everything goes exactly like PERS calculated, you'll never have to put another (employer or employee) dime in.

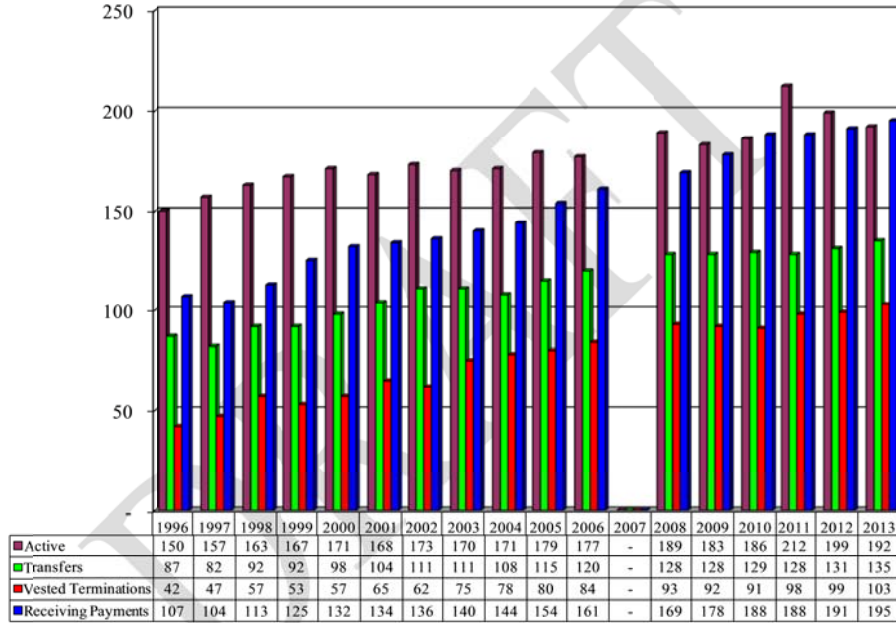


May 26, 2015

E-2



MEMBERS INCLUDED IN VALUATION - MISCELLANEOUS



Note: Missing City's June 30, 2007 & 2008 CalPERS reports.

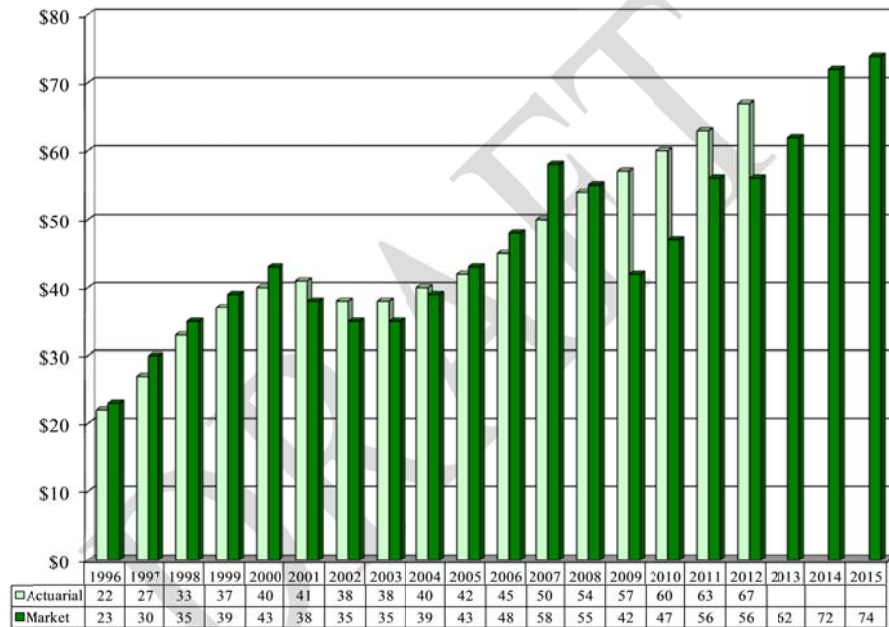


May 26, 2015

E-3



ASSET VALUES (MILLIONS) - MISCELLANEOUS



6/30/14 & 6/30/15 asset values estimated.

AVA is being set equal to MVA and a separate AVA is not available starting 6/30/13.



May 26, 2015

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CONTRIBUTION RATES - MISCELLANEOUS

	<u>6/30/12</u> <u>2014/2015</u>	<u>6/30/13</u> <u>2015/2016</u>
■ Total Normal Cost	14.4%	14.6%
■ Employee Normal Cost	7.0%	7.0%
■ Employer Normal Cost	7.4%	7.6%
■ Amortization Bases:	<u>4.1%</u>	<u>5.2%</u>
■ Total Employer Contribution Rate	11.5%	12.8%
■ What Happened from 6/30/12 to 6/30/13:		
● 2014/15 Rate		11.5%
● Asset Method Change		0.9%
● (Gains)/Losses		<u>0.4%</u>
● 2015/16 Rate		12.8%



May 26, 2015

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CONTRIBUTION RATES – POLICE SAFETY

	<u>6/30/12 Valuation</u> <u>2014/2015 Contribution Rates</u>		
	<u>Total</u>	<u>Tier I</u> <u>3% @ 50</u>	<u>PEPRA</u> <u>2.7% @ 57</u>
■ Required Employer Contribution			
● Risk Pool's Net Employer Normal Cost	17.5%	17.5%	12.25%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	1.0%	1.0%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool's Payment on Amortization Bases	9.4%	9.4%	0.00%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.00%</u>
● Total ER Contribution	29.6%	29.6%	12.25%
● Employee Cost Sharing	<u>(3.0%)</u>	<u>(3.0%)</u>	<u>0.00%</u>
● Net ER Contribution	26.6%	26.6%	12.25%
● Net ER Contribution \$	\$2,121		



May 26, 2015

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CONTRIBUTION RATES – POLICE SAFETY

	6/30/13 Valuation		
	2015/2016 Contribution Rates		
	<u>Total</u>	<u>Tier I</u>	<u>PEPRA</u>
		3% @ 50	2.7% @ 57
■ Required Employer Contribution			
● Risk Pool's Net Employer Normal Cost	17.6%	17.6%	12.25%
● Cost Sharing	(3.0%)	(3.0%)	0.00%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	1.0%	1.0%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool's Payment on Amortization	13.3%	13.3%	0.00%
Bases			
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.00%</u>
● Total ER Contribution	33.5%	33.5%	12.25%
● Employee Cost Sharing	<u>(3.0%)</u>	<u>(3.0%)</u>	<u>0.00%</u>
● Net ER Contribution	30.5%	30.5%	10.25%
● Total ER Contribution \$	\$2,328		



May 26, 2015

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CONTRIBUTION RATES – FIRE SAFETY

	6/30/12 Valuation		
	2014/2015 Contribution Rates		
	<u>Total</u>	<u>Tier I</u>	<u>PEPRA</u>
		3% @ 55	2.7% @ 57
■ Required Employer Contribution			
● Risk Pool's Net Employer Normal Cost	15.4%	15.4%	12.25%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	0.9%	0.9%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool's Payment on Amortization	5.9%	5.9%	0.00%
Bases			
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.00%</u>
● Total ER Contribution	23.9%	23.9%	12.25%
● Employee Cost Sharing	<u>(3.0%)</u>	<u>(3.0%)</u>	<u>0.00%</u>
● Net ER Contribution	20.9%	20.9%	12.25%
● Net ER Contribution \$	\$967		



City Council Adjourned Regular Meeting
May 26, 2015

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CONTRIBUTION RATES – FIRE SAFETY

	6/30/13 Valuation		
	<u>2015/2016 Contribution Rates</u>		
	<u>Total</u>	<u>Tier I</u>	<u>PEPRA</u>
		3% @55	2.7% @57
■ Required Employer Contribution			
● Risk Pool’s Net Employer Normal Cost	15.6%	15.6%	12.25%
● Class 1 Benefits			
<input type="checkbox"/> FAC1	0.9%	0.9%	0.00%
<input type="checkbox"/> PRSA	1.7%	1.7%	0.00%
● Risk Pool’s Payment on Amortization Bases	8.8%	8.8%	0.00%
● Amortization of Side Fund	<u>0.0%</u>	<u>0.0%</u>	<u>0.00%</u>
● Total ER Contribution	27.0%	27.0%	12.25%
● Employee Cost Sharing	<u>(3.0%)</u>	<u>(3.0%)</u>	<u>0.00%</u>
● Net ER Contribution	24.0%	24.0%	12.25%
● Total ER Contribution \$	\$1,143		



Agenda Date: 5/26/2015

TO:

Honorable Mayor and Members of the City Council

THROUGH:

Mark Danaj, City Manager

FROM:

Mark Leyman, Parks and Recreation Director
Jessica Vincent, Recreation Manager

SUBJECT:

Consideration of Nikau Kai Waterman Shop and Hermosa Cyclery to Provide Beach Concessions and a Welcome/Information Center in the Sand Lot South of the Lower South Pier Parking Lot

APPROVE

RECOMMENDATION:

Staff recommends that the City Council receive the information on the results of the beach concessions and welcome/information center Request for Qualifications and award contracts to Nikau Kai Waterman Shop to provide beach concessions and a welcome/information center with the exception of bicycle rentals and Hermosa Cyclery to operate the bicycle rental concessions.

FISCAL IMPLICATIONS:

If approved, under the terms of the attached agreement (Attachment 1), the concession operators, Nikau Kai Waterman Shop and Hermosa Cyclery will pay a negotiated percentage of gross revenues to the city on a monthly basis.

BACKGROUND:

In summer 2014, staff partnered with Nikau Kai on a trial program, to provide information, referral and beach rentals in the sand lot south of the lower pier parking lots. On a daily basis, Nikau Kai staff placed a 10 foot by 10 foot canopy in the sandy lot and provided surf, paddle, and boogie boards for rentals. In addition, they placed a trailer in the sand lot to store equipment. Feedback from the community was positive and visitors enjoyed the opportunity to rent a surf, paddle, or boogie board, or learn about city sponsored beach programs. Additionally, visitors were guided on dining and shopping options. Although bike rentals were not included in the 2014 program, the majority of rental inquiries were for bicycles.

This trial program was included in the 2014-2015 City Council work plan. Due to the success of the program, staff issued a request for quotations (RFQ) to provide beach rentals and information and referral in the sand lot south of the lower south Pier parking lot.

DISCUSSION:

In an effort to provide a total beach experience to visitors and locals, staff issued a RFQ (Attachment 7) for beach equipment rental services and welcome/information center (30 foot by 10 foot) to be located in the sand lot south of the lower south pier parking lot. In February 2015, the RFQ was sent to local businesses that offer beach, water and bicycle rental and retail equipment and posted on the City's website. Upon closing of the bid, four proposals were submitted by local South Bay businesses. Each of the groups presented their proposals on April 29, 2015, to a committee comprised of the Executive Director of the Manhattan Beach Downtown and Professionals Association, the LA County Southern Section Lifeguard Chief and staff from Parks and Recreation and General Services. Based upon recommendations from the initial meeting, Parks & Recreation Staff conducted second interviews with three of the four businesses May 9 through May 12.

Based on the submitted proposals and presentations, the committee reached a consensus that, Hermosa Cyclery had the most experience and sustainable business plan to operate the concessions and welcome/information center, followed by Nikau Kai and Camp Surf.

After thoughtful consideration of the committee's recommendations, staff held follow-up interviews with the top three vendors to further review their proposals and discuss operational details. After meeting with each vendor, Nikau Kai and Hermosa Cyclery were selected for their expertise and proven experience in their respective areas; beach rentals and bicycle rentals.

The two businesses that were not selected through the RFQ process were Perfect Day Surf Camp (Attachment 5) and CampSurf (Attachment 6). Both businesses specialize in beach camps and surf lessons. Camp Surf has an established relationship with the City of Manhattan Beach coordinating the summer surf and beach volleyball camps and has been in business for 18 years. Perfect Day Surf Camp has been providing lessons in the South Bay for 14 years. Although each of these businesses had good proposals and provide excellent surf camps, they did not provide the expertise in beach and bicycle rental of services desired from the RFQ process.

Staff Recommendation

Each business provided excellent proposals which met the quality and expertise needed to operate this pilot program for the City. Staff is recommending award to both Nikau Kai Waterman Shop and Hermosa Cyclery given each of the proposers proposed a unique set of services. Nikau Kai Waterman Shop would operate the welcome center and beach concessions for beach and water equipment rentals and Hermosa Cyclery would operate the beach concessions for bicycles only.

The footprint for the containers to store the beach concession materials will be one eight foot by 30 foot portable facility (16 foot by 30 foot when opened up) for each vendor. This footprint will provide a safety zone open for emergency vehicles (Attachment 2). Staff will

continue to work with the LA County Lifeguards to ensure that the footprint will meet all safety standards and not impede access.

Nikau Kai Waterman Shop

Nikau Kai demonstrated ample experience and knowledge in beach and water equipment rentals, providing rental and lessons since 2011 and operating a successful business in Downtown Manhattan Beach. Nikau Kai proposed a facility and operations concept that is sustainable. Nikau Kai discussed the facility be one 30 foot shipping container or two containers, one 20 foot and one 30 foot to properly store the equipment with removable solar panels to power the facility. The marketing strategy presented to brand "Manhattan Beach" is creative, well-thought and conveyed a "laid back, beach style". In addition, Nikau Kai has good working relationships with Downtown Manhattan Beach Businesses, Lifeguards, Manhattan Beach Chamber of Commerce and City staff. Nikau Kai proposed to operate the facility from 9am-7pm during the summer months (Memorial Day through Labor Day) and 9am-7pm weekends thereafter; however, operational hours may vary based on the demand. The attached proposal (Attachment 3) discusses Nikau Kai's interest in partnering with the City.

Hermosa "Manhattan" Cyclery

Hermosa "Manhattan" Cyclery demonstrated abundant experience and knowledge in bicycle rentals and repair, providing bicycle rentals, repair, and retail for 40 years in Hermosa Beach. In Hermosa Beach, they also provide boogie board, umbrella, beach chair and ball rentals. The proposed facility and operations concept is sustainable; the facility proposed is one 20 foot and one 10 foot portable shipping container. Hermosa Cyclery proposed to maintain the sandy area and enhance the presentation of the area. Their proposed marketing strategy was to brand the concession as "Manhattan Cyclery" and provide maps outlining bike rides on the strand and local businesses throughout Manhattan Beach. Along with the re-branding and obtaining a Manhattan Beach business license, Manhattan Cyclery will obtain a new Tax I.D. number from the Department of Equalization, which will generate sales tax revenue for the City. They will also join the Manhattan Beach downtown and Chamber organizations and become a member of the Manhattan Beach business community. In addition, Hermosa Cyclery demonstrated the synergy available between the Manhattan and Hermosa shops and provided support to meet the needs of the community and visitors by providing various types of bicycle rentals for adults and children. They are also open to limiting their one way rental to Manhattan Beach only. Staff at Hermosa Cyclery is known as being knowledgeable and friendly. Hermosa Cyclery proposed to operate the facility from 9am-7pm daily throughout the year; however, operational hours may vary based on daylight savings and demand. The attached proposal (Attachment 4) discusses Hermosa Cyclery's interest in partnering with the City.

Alternative 1

Approve the proposal from Nikau Kai Waterman shop to provide beach concessions and welcome/information center and provide bicycle rentals.

The benefits of this option would be to have one vendor manage all operations and central branding. Nikau Kau is a current Manhattan Beach downtown business with an expertise in beach rentals.

The drawbacks to this option would be the lack of experience in the bicycle rental business and lack of bicycle inventory and staff expertise.

Alternative 2

Approve the proposal from Hermosa Beach Cyclery to provide beach concessions and welcome/information center and provide bicycle rentals.

The benefits of this option would be to have one vendor to manage all operations and central branding. Hermosa Cyclery has been in business for over 40 years.

The drawbacks to this option would be the lack of experience in the board rental business and lack of surfboard and SUP inventory and staff experience.

CONCLUSION:

Staff is in negotiations with both Nikau Kai Waterman Shop and Hermosa Cyclery to discuss details of the agreements. If the City Council approves moving forward with the proposal, staff will work closely with both businesses to ensure there is a unified branding and high level of customer service.

This operation of the beach rental, visitors and information center will provide a valuable resource for visitors and residents, working closely with City Staff to promote beach programs and surf lessons, Downtown Businesses to promote dining and shopping and the Manhattan Beach Chamber of Commerce to provide a total beach excursion for visitors. In addition, it will provide referrals and continuity to downtown businesses and department programs.

Community Development has reviewed the footprint for the containers as a pilot program for temporary use of the sand area at the end of the lower south Pier parking lot. After one year, Staff suggests submitting a permit to the California Coastal Commission for the long term permitted use of the beach concessions.

Staff recommends City Council approve the proposal from Nikau Kai Waterman Shop to provide beach concessions and a welcome center with the exception of bike rentals and approve the proposal from Hermosa Cyclery to provide bicycle rentals.

- Attachments
1. Beach Concessions Proposed Agreement
 2. Proposed Site Plan
 3. Nikau Kai Waterman Shop Proposal
 4. Hermosa Cyclery Proposal
 5. Perfect Day Surf Camp Proposal
 6. Camp Surf Proposal
 7. Request for Quotations for Beach Concessions



City of Manhattan Beach

Parks & Recreation

Phone: (310) 802-5448
FAX: (310) 802-5051
TDD: (310) 546-3501

LICENSE AGREEMENT BETWEEN _____ AND THE CITY OF MANHATTAN BEACH FOR USE OF CITY PROPERTY TO PROVIDE _____

THIS AGREEMENT is made and entered into on this day of _____
January, 2015 ("Effective Date") by and between the City of Manhattan Beach, a
municipal corporation ("City") and _____, a California corporation
("Licensee") (collectively, the "Parties").

RECITALS

A. Licensee wishes to provide _____ at the sand lot
south of the lower south pier parking lot in the City of Manhattan Beach (See Exhibit A).

B. City desires to allow Licensee to use City property to rent beach activity
equipment pursuant to the terms stated in this Agreement.

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants
herein, the Parties agree as follows:

Section 1. Premises. City hereby grants Licensee a nonexclusive license to
use the sand lot south of the lower south pier parking lot in the City, as indicated in
Exhibit A ("Premises") for the purposes stated in this Agreement in exchange for a
portion of the gross receipts generated by the rentals provided at the Premises.

Section 2. Term of Agreement. This Agreement shall commence on the
Effective Date and shall terminate on _____, unless sooner terminated by
City.

Section 3. Payment. For the rights granted hereunder, Licensee shall pay
City _____% of the monthly gross receipts from rental activities held at the Premises,
to be paid to City on a monthly basis ("License Fee") no later than the 15th of each
month. Such License Fee shall be separate from and supplemental to any amount
owed to the City for any other license or permit, including a business license.
Contractor shall submit an annual gross receipts report to City by December 15, 2014.

Section 4. City's Obligation. City's sole obligation is to grant Licensee the license stated in Section 1 of this Agreement. City shall not be liable for any injuries or damages related to the use of Premises by Licensee, or Licensee's clients or invitees, or any damage or injury related to the use of any paddle boards rented by Licensee.

Section 5. Use of Premises.

(a) Licensee shall use the Premises only for the purpose of providing beach activity equipment concessions.

(b) Licensee shall not damage the Premises. Licensee shall maintain the Premises in a good, safe, neat, and sanitary condition to the satisfaction of the City.

(c) Licensee shall not use the Premises for any immoral or unlawful purpose, and shall comply with all Local, State, and Federal laws and regulations.

(d) Licensee shall leave open an emergency access lane at all times.

Section 6. Insurance.

(a) Licensee shall at all times during the term of this Agreement carry, maintain, and keep in full force and effect, insurance as follows:

(1) A policy or policies of Comprehensive General Liability Insurance, with minimum limits of \$2,000,000 for each occurrence, combined single limit, against any personal injury, death, loss, or damage resulting from the wrongful or negligent acts by Contractor.

(2) A policy or policies of Comprehensive Vehicle Liability Insurance covering personal injury and property damage, with minimum limits of \$1,000,000 per occurrence combined single limit, covering any vehicle utilized by Contractor in performing the Scope of Work required by this Agreement.

(3) Workers' compensation insurance as required by the State of California.

(b) The policy or policies required by this Agreement shall be issued by an insurer admitted in the State of California and with a rating of at least A-;VII in the latest edition of Best's Insurance Guide.

(c) Licensee agrees that if it does not keep the aforesaid insurance in full force and effect City may either immediately terminate this Agreement or, if insurance is available at a reasonable cost, City may take out the necessary insurance and pay, at Licensee's expense, the premium thereon.

(d) At all times during the term of this Agreement, Licensee shall maintain on file with the City Clerk a certificate or certificates of insurance on the form approved by the City's Risk Manager, showing that the aforesaid policies are in effect in

the required amounts. Licensee shall, prior to commencement of work under this Agreement, file with the City Clerk such certificate or certificates. The general liability insurance and vehicle insurance shall contain an endorsement naming the City as an additional insured. All of the policies required under this Agreement shall contain an endorsement providing that the policies cannot be canceled or reduced except on thirty (30) days prior written notice to City, and specifically stating that the coverage contained in the policies affords insurance pursuant to the terms and conditions as set forth in this Agreement.

(e) The insurance provided by Licensee shall be primary to any coverage available to City. The policies of insurance required by this Agreement shall include provisions for waiver of subrogation.

(f) Any deductibles or self-insured retentions must be declared to and approved by City. At the option of City, Licensee shall either reduce or eliminate the deductibles or self-insured retentions with respect to City, or Contractor shall procure a bond guaranteeing payment of losses and expenses.

Section 7. Indemnification. Licensee shall defend, indemnify, and hold City, and its elected officials, officers, agents and employees free and harmless from any claim, liability or financial loss (including, without limitation, attorneys' fees and costs), injuries to property or persons (including without limitation, attorneys' fees and costs) arising out of any acts or omissions of Licensee, its officials, officers, employees or agents in connection with the performance of this Agreement or the use of the Premises, except for such claim, liability or financial loss or damage arising from the gross negligence, sole negligence, or willful misconduct of the City, as determined by final arbitration or court decision or by the agreement of the Parties. Licensee shall defend City, with counsel of City's choice, at Licensee's own cost, expense, and risk, and shall pay and satisfy any judgment, award, or decree that may be rendered against City. Licensee shall reimburse City for any and all legal expenses and costs incurred by City in connection therewith or in enforcing the indemnity herein provided. Licensee's obligation to indemnify shall not be restricted to insurance proceeds, if any, received by Licensee or City. All duties of Licensee under this Section shall survive termination of this Agreement.

Section 8. Audit.

(a) Licensee shall maintain accurate books and records in connection with the amount of gross receipts paid to City, including the basis for such amount, for a period of at least three years following the conclusion of each agreement year. City shall have the right, upon reasonable notice being given to Licensee, to review and audit Licensee's records.

(b) If upon independent examination of Licensee's records and the data provided to City, City discovers that the amount due to City pursuant to this Agreement has been understated, City shall notify Licensee of the deficiency, and Licensee shall pay the City the amount of such deficiency plus interest thereon at the

lesser of (i) the rate of ten percent (10%) or (ii) the maximum rate allowable by law from the date payment of such sums was due until the date paid. If such independent examination reflects an underpayment of five percent (5%) or more of the sums due during the relevant period, Licensee shall pay City's reasonable costs of such examination.

Section 9. Termination.

(a) City shall have the right to terminate this Agreement for any reason or for no reason upon 30 calendar days' written notice to Licensee.

(b) In the event of termination or cancellation of this Agreement by City, Licensee agrees to cease use of the Premises within 30 calendar days of receipt of such notice.

Section 10. Permits. Licensee shall obtain and maintain during the term of this Agreement all necessary licenses, permits, and certificates required by law for the provision of services under this Agreement, including a business license.

Section 11. Assignment. This Agreement shall not be assigned, in whole or in part, by Licensee without the prior written approval of City. Any attempt by Licensee to so assign this Agreement or any rights, duties or obligations arising hereunder shall be void and of no effect.

Section 12. Notice. Any notices, bills, invoices, etc. required by this Agreement shall be deemed received on (a) the day of delivery if delivered by hand during the receiving party's regular business hours or by facsimile before or during the receiving party's regular business hours; or (b) on the second business day following deposit in the United States mail, postage prepaid, to the addresses set forth below, or to such other addresses as the parties may, from time to time, designate in writing pursuant to this section.

If to City: City Hall
 1400 Highland Avenue
 Manhattan Beach, California 90266
 Attn: Jessica Vincent, Recreation Manager

With a copy to: City Hall
 1400 Highland Avenue
 Manhattan Beach, California 90266
 Attn: Quinn M. Barrow, City Attorney

If to Licensee: _____

Section 13. Attorneys' Fees. If either Party commences an action against the other Party arising out of or in connection with this Agreement, the prevailing Party in such action shall be entitled to have and recover from the losing Party all of its attorneys' fees and other costs incurred in connection therewith.

Section 14. Entire Agreement; Amendment. This Agreement represents the entire integrated agreement between City and Licensee, and supersedes all prior negotiations, representations or agreements, either written or oral. This Agreement may be amended only by a written instrument signed by both City and Licensee.

Section 15. Governing Law and Venue. The interpretation and implementation of this Agreement shall be governed by the domestic law of the State of California. Any action commenced related to or concerning this Agreement shall be filed in the appropriate court in Los Angeles County.

Section 16. City Not Obligated to Third Parties. City shall not be obligated or liable under this Agreement to any party other than Licensee.

Section 17. Severability. Invalidation of any provision contained herein or the application thereof to any person or entity by judgment or court order shall in no way affect any of the other covenants, conditions, restrictions, or provisions hereof, or the application thereof to any other person or entity, and the same shall remain in full force and effect.

[Signatures begin next page]

EXECUTED on the date first written above in Manhattan Beach, California.

CITY OF MANHATTAN BEACH

LICENSEE

MARK DANAJ
City Manager

ATTEST

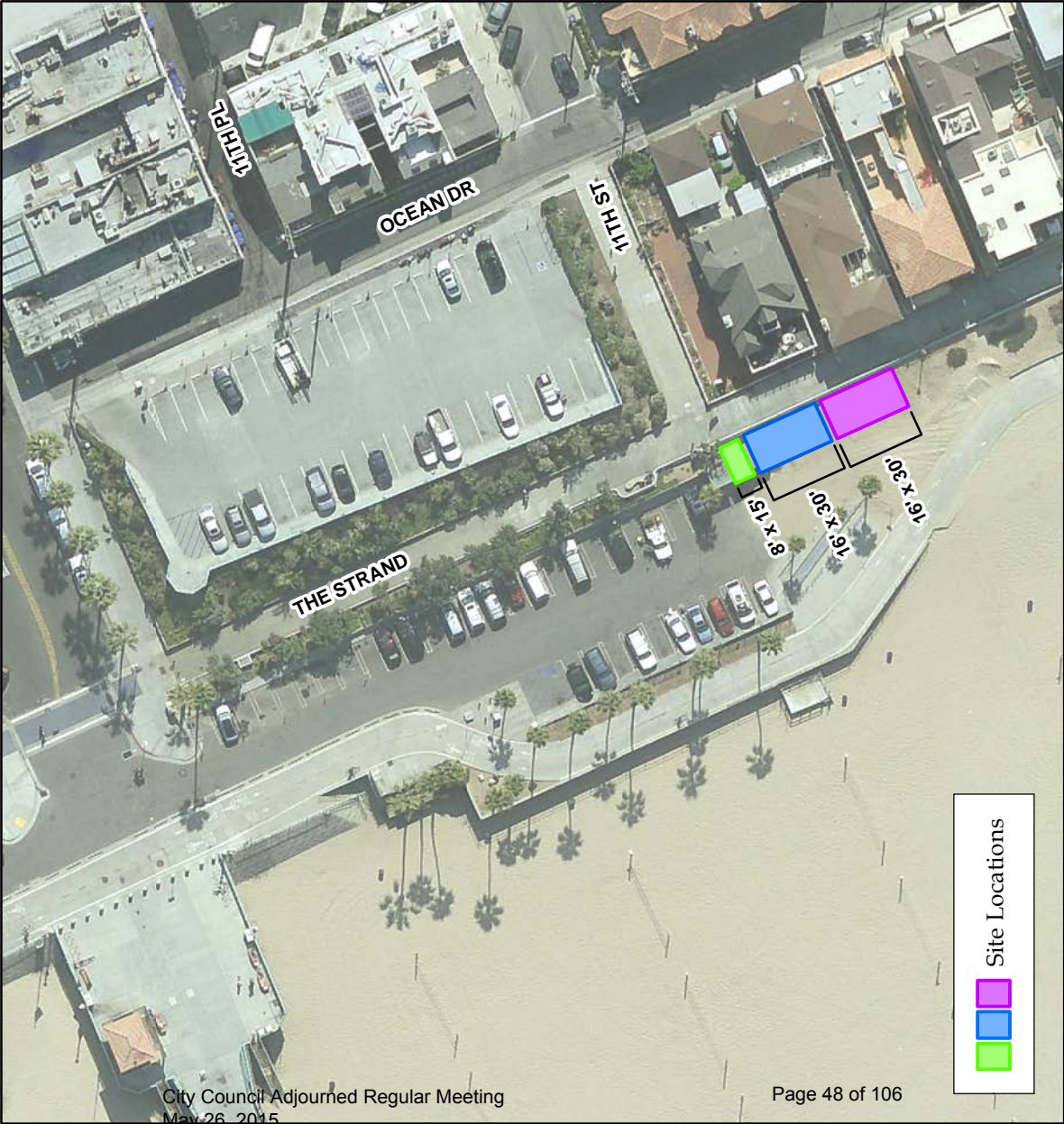
LIZA TAMURA
City Clerk

APPROVED AS TO FORM

QUINN M. BARROW
City Attorney

APPROVED AS TO CONTENT

MARK LEYMAN
Director, Parks & Recreation



17TH ST

OCEAN DR

17TH ST

THE STRAND



Site Locations



Manhattan Beach

Beach Days Perfected.

APRIL 8, 2015

Request for Proposal Response

#1038-15

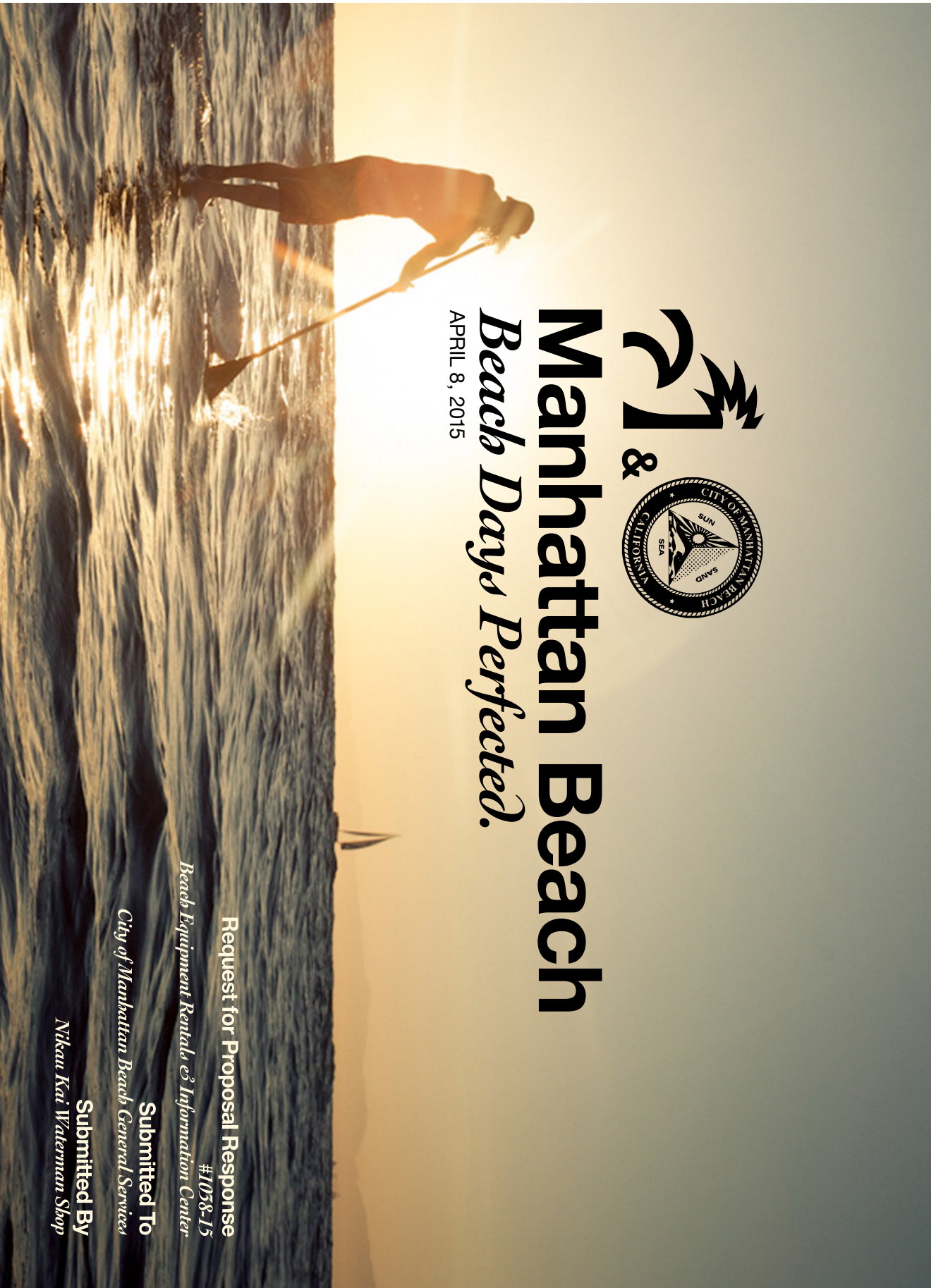
Beach Equipment Rentals & Information Center

Submitted To

City of Manhattan Beach General Services

Submitted By

Nikai Kai Waterman Shop



April 8, 2015

Jason Shanks
President / CEO, Nikau Kai Inc.
1300 Highland Ave. #108
Manhattan Beach, CA 90266

Re: RFP #1038-15

Dear Mrs. Eng,

Thank you for the opportunity to respond to the Request for Proposal #1038-15.

Nikau Kai Waterman Shop is pleased to present the attached proposal for Beach Equipment Rentals and Information Center. We welcome the opportunity to create a Manhattan Beach Welcome Center and Beach Rentals facility and help create an informational area for both our local communitree and our valued visitors from around the world. We believe that our proposal and our unique background in this platform represent an unparalleled opportunity for the City of Manhattan Beach.

- **Local Surf Rental offering for the past 3 years.**
- **Impetus of the original beach rental facility offered in the Summer 2014 in the proposed location.**
- **Local brand with a reputation for premium design, operation and community loyalty and support.**

As a local family owned business, Nikau Kai is committed to the betterment of our community and beach culture. Our unique background in design, business and living locally allows us the opportunity to offer our residents and visitors the best in small town experience with the level of sophistication that our residents and visitors expect from a community as unique and special as ours. Nikau Kai greatly values the opportunity to develop a one-of-a-kind solution that offers locals and guests alike an inside line to the pulse of the city and the opportunity to find the best that our beach community has to offer both on and off the beach.

We look forward to discussing the attached proposal in further detail. In the meantime, should you have any questions please feel free to contact me directly.

Sincerely yours,



Jason Shanks
CEO / President
Enclosure

 Beach Equipment Rentals & Information Center





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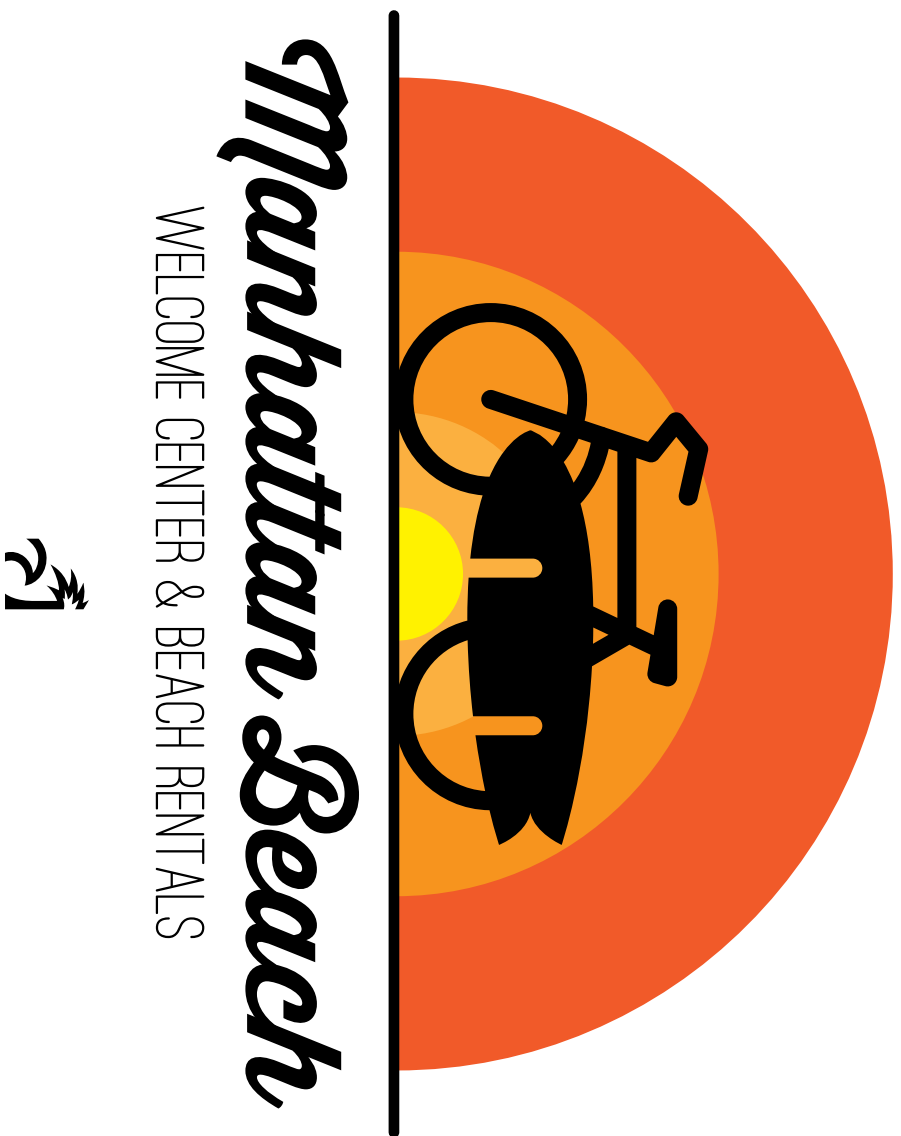
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Local Business

Vision *Branding*

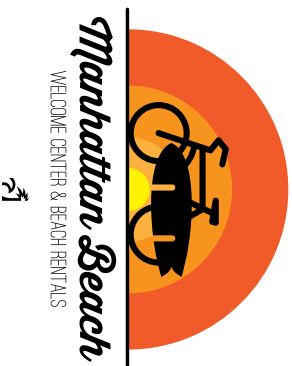


Logo



Logo

The logo for the Manhattan Beach Welcome Center & Beach Rentals - WCMB - has many subtle elements to help convey our laid back beach lifestyle. Initially, you have a simple beach cruiser, the easiest way to get around and about our beach. One gear, one pace... simple and elegant. The use of the specific shape of the surfboard referred to as a "Fish" also speaks to our particular place in the world... with a typical southern California summer beach break a "Fish" is usually the go-to board for the surfer looking to get into a wave quickly and down the line before the wave closes out. Both of these elements are brought together with one of our greatest assets here in Manhattan Beach, the view of the Pacific from the strand and to make it all the sweeter, at sunset. Those long summer evenings when time seems to all but stand still, and the evening invites relaxation and good friends. To round out our design we include our iconic palm and wave icon, to once again remind you how lucky you are to be here and share in our unique beach culture.

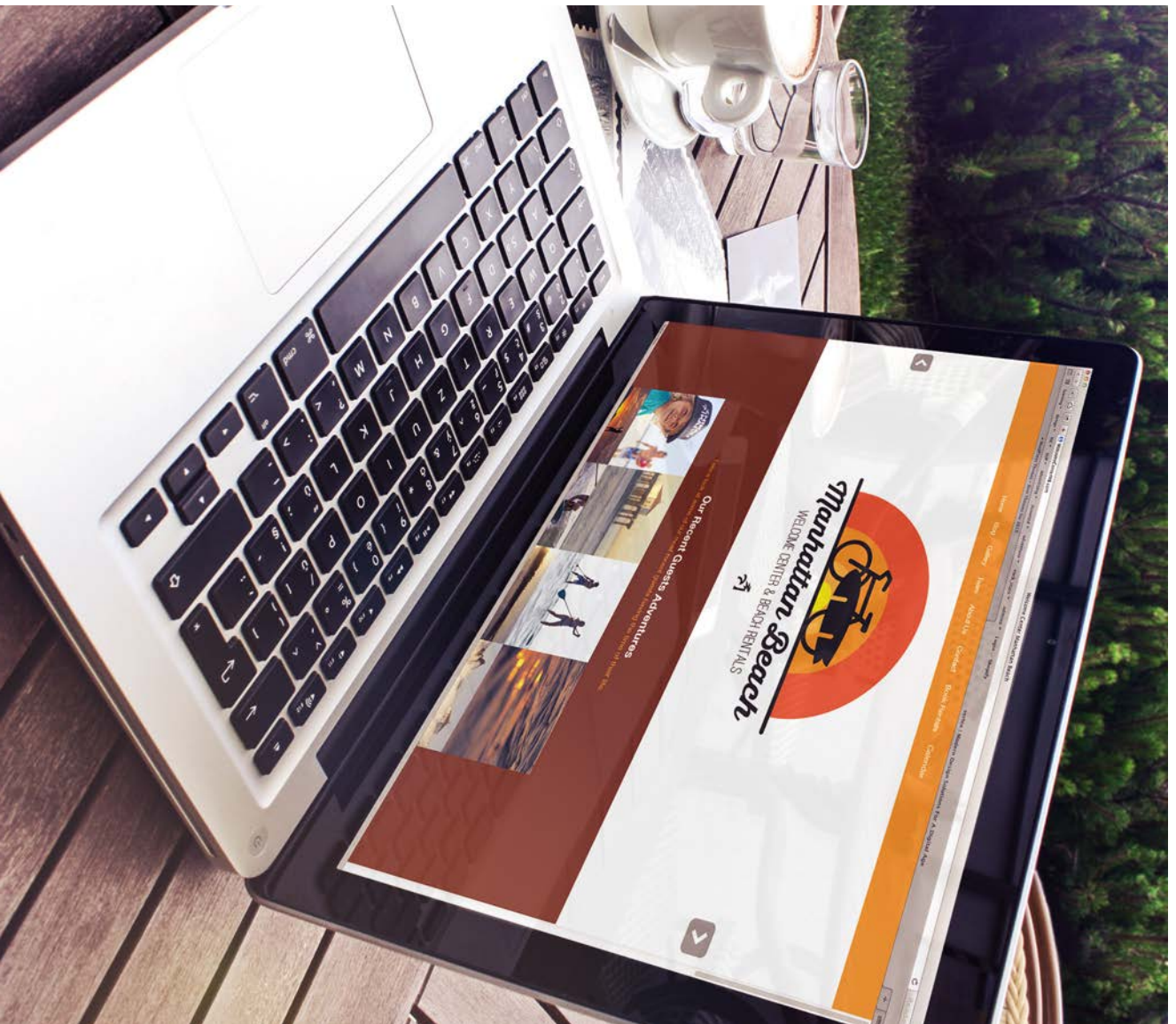


Website

Our goal with the online presence has several layers, the first being our website "WelcomeCenterMB.com." There will be many opportunities with the site, possibly including features such as calendar, online booking of rental equipment, events, social media feed, about us, and more. The site will serve as a hub for guests to learn more about our beach community and the variety of activities available. This will be a collaboration with the Manhattan Beach Chamber, the DTPA and the Parks and Recreations Department, as well as other local feeds, ie: the MB Patch, DigMB and others. This will be a growing site that has much potential.

In addition to the "main" URL "WelcomeCenter MB.com" we will also have additional URLs that redirect guests to our main site:

- www.Manhattan-BeachRentals.com
- www.MBBeachDaysPerfected.com
- www.BeachDaysPerfected.com
- www.NikauKaiAtTheBeach.com



Online Experience

A key part to any operation is Social Media and we're managing that with coverage of the Welcome Center through staff and guest posts. Anything with the hashtag #WCMB will not only go on our feeds but also on our In-store Enplug™ display at the beach.

For example:

 /WelcomeCenterMB

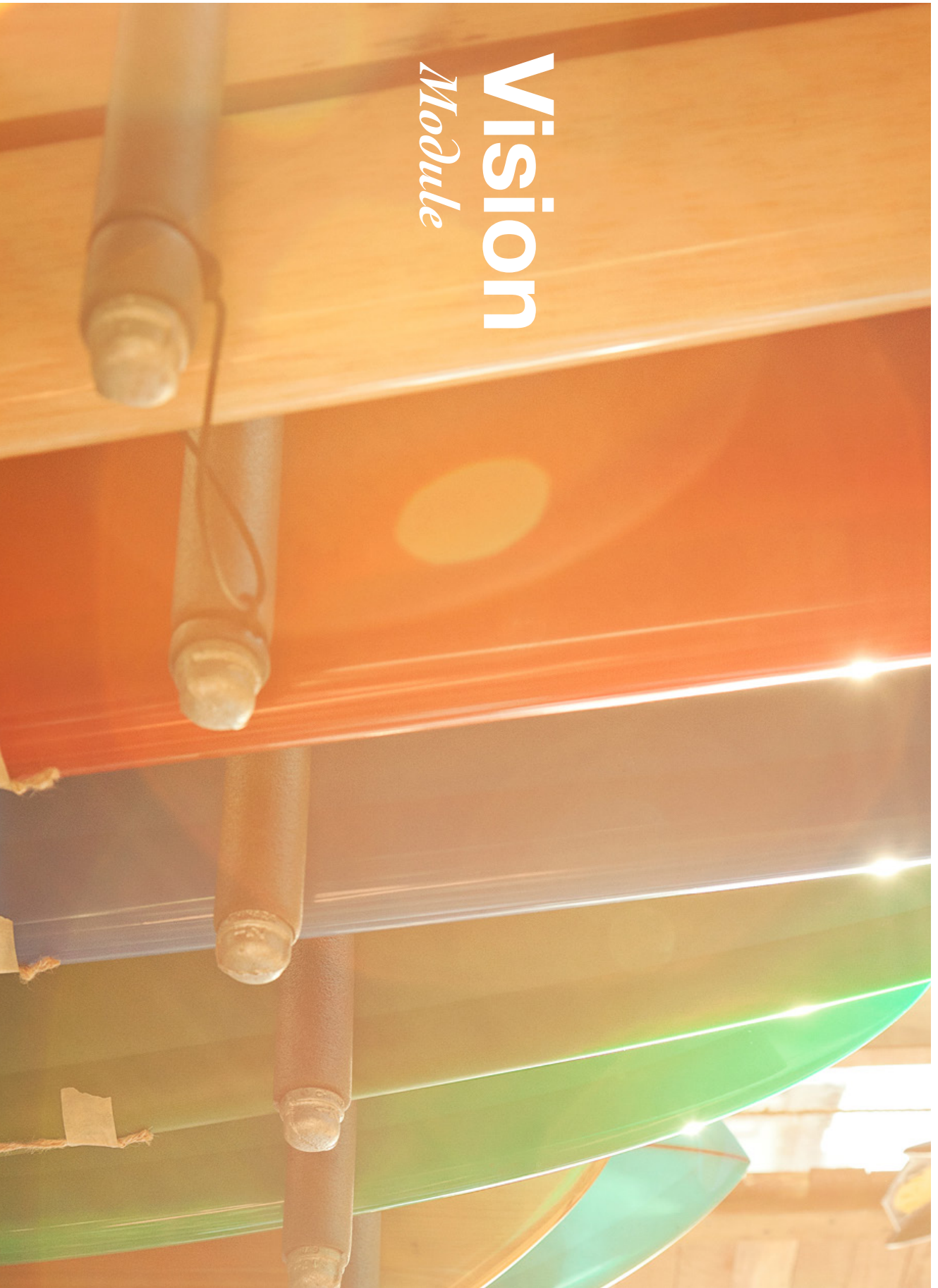
 @WelcomeCenterMB

 @WelcomeCenterMB

#WCMB

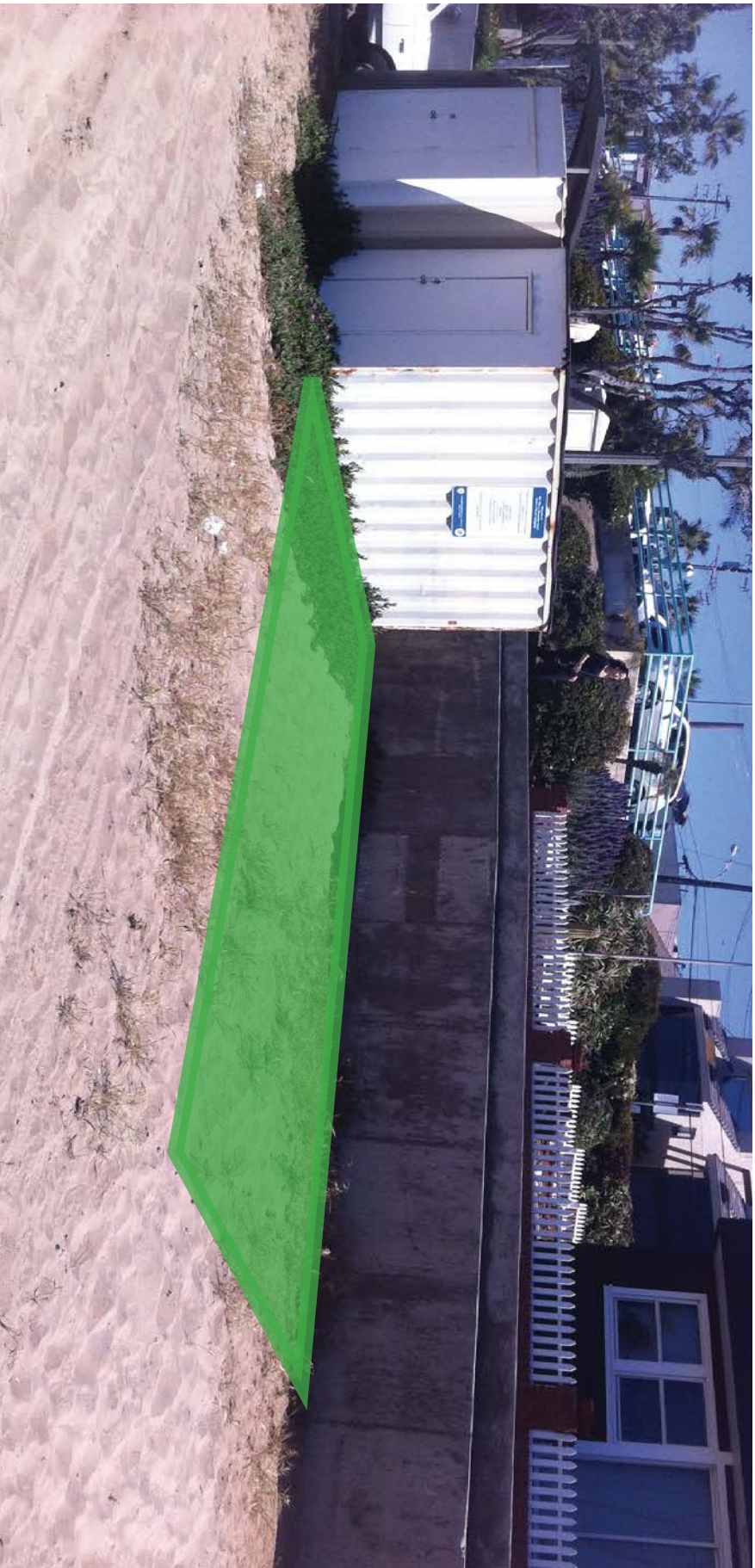


Vision *Module*



Location

The south side of the pier and just south of the lower parking lot is an ideal location for our operation attracting both those headed to the beach from Pier Avenue and heading into Manhattan Beach via the Strand from Hermosa Beach.



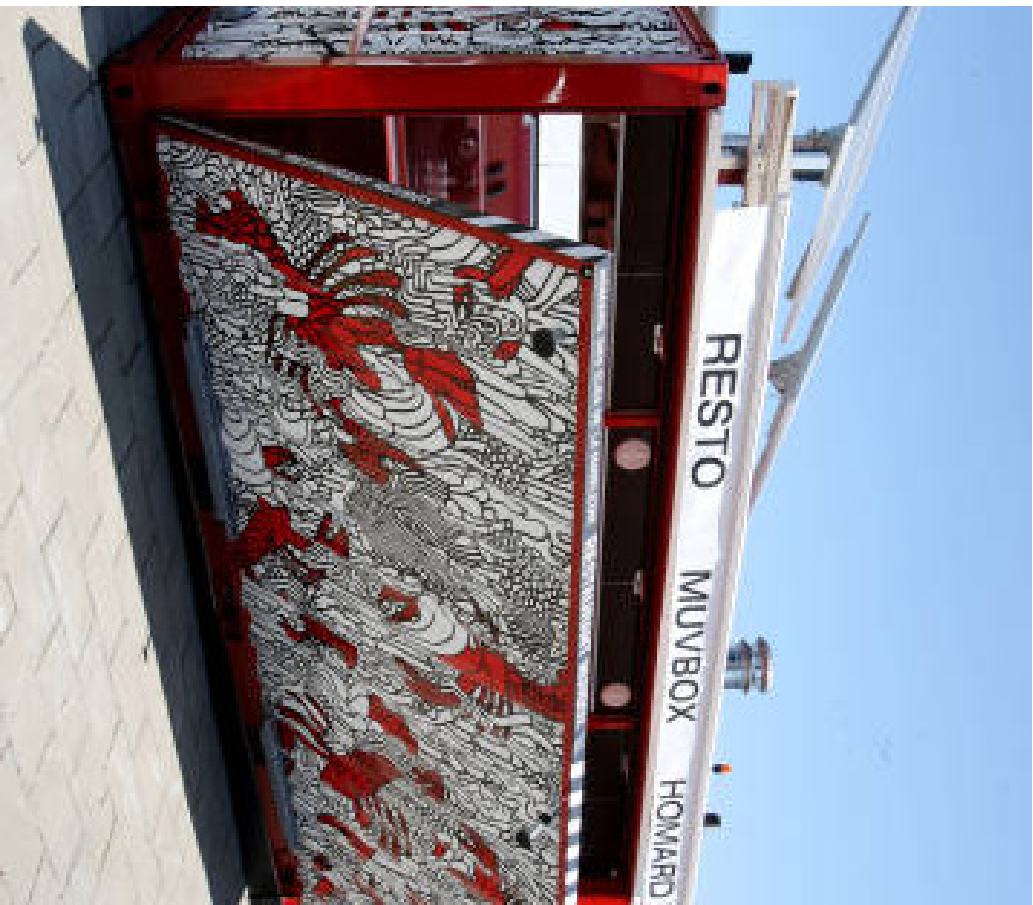
Influencers

Our concept for a Module unit comes from the inspiration of similar projects being built around the world. In this example is an Illy Espresso stand in New York City by Artist/architect Adam Kalkin.



Influencers

In this example the storage container concept was used to create a small Muvbox Fast Food Restaurant in Old Port in Montreal.



Module Exterior

In our concept we envision converting a 30' storage container into our Welcome Center and Beach Rental experience. This container will be fully equipped with a hand crank winch for opening and closing the main wall. We will have removable solar panels for the roof to power the entire facility. In consideration of our beach and our desire to maintain a non-obtrusive design, the container will be a light sand/dust shade with only callouts to what it is, via the logo, how to contact us, via the URL and our partnership with the City of Manhattan Beach.



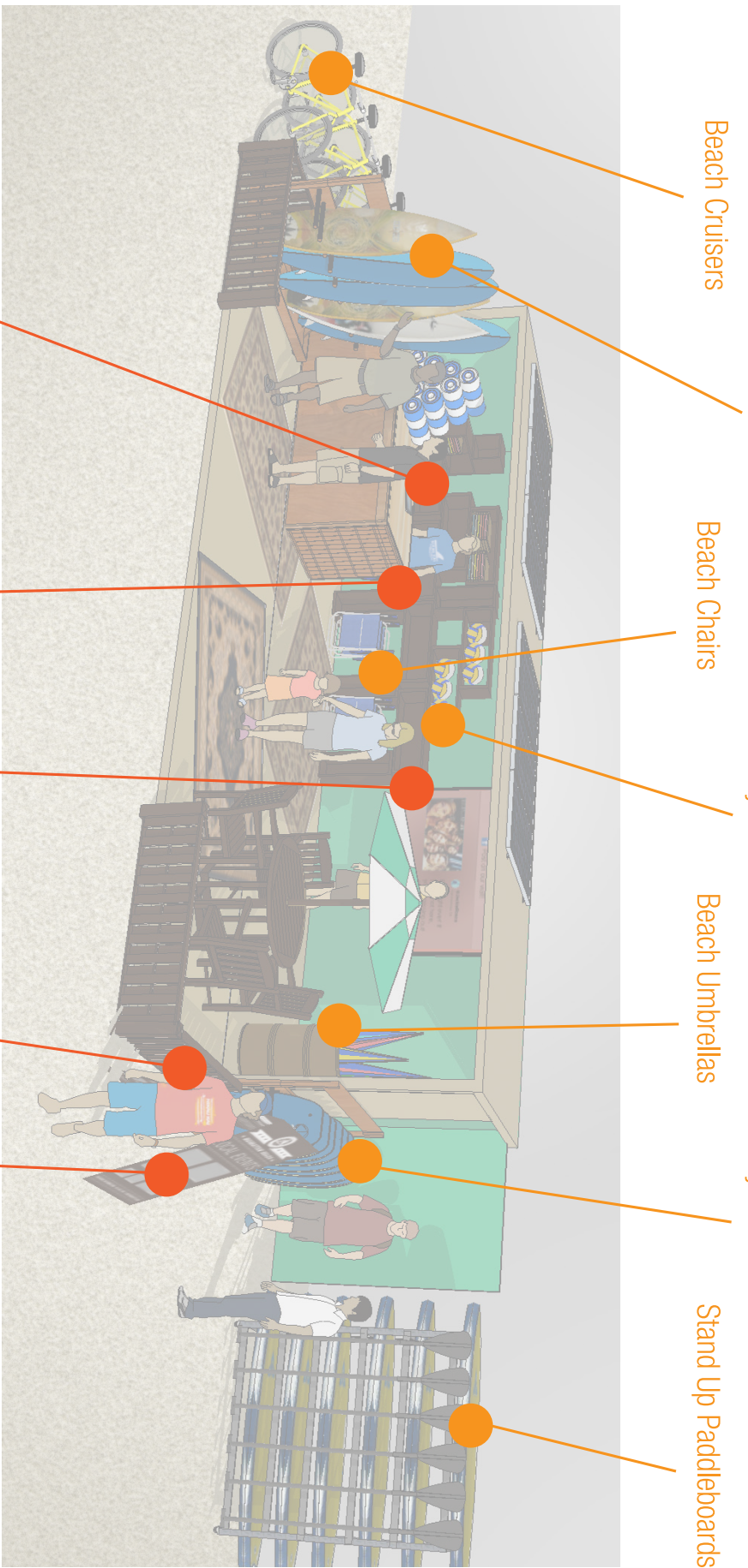
Module Interior

Once the container is opened and set up, taking approximately 10 to 20 minutes, based on two staffers opening, the container becomes a welcoming oasis in the sand. It's a place for the family to relax as our local staff outfits you with any and all of your beach rental needs. While waiting you'll be able to enjoy our Enplug™ live feed and add your own content, not to mention the weekly calendar sandwich board and many classes and activities offered by the City.



Module Interior Details

- Rentals
- Information



Beach Cruisers

Surfboards

Beach Chairs

Volleyballs

Beach Umbrellas

Bodyboards

Stand Up Paddleboards

Parks & Rec. Activities Flyers

Local Staff

ENPLUG™ Display

Local Staff

Community Calendar



Details

Concept and Plan

1. Business Concept and Plan

a) Please define service(s) business you would like to operate. You may propose any combination of services, as well as others not included in this solicitation, subject to approval by the City.

The Goal of The Manhattan Beach Welcome Center & Beach Rentals is to offer both information and rental services to help facilitate a better day at our beach. Those services would include but not be limited to Rentals of Surfboards, Bodyboards, SUPs, Beach Chairs, Umbrellas, and, of course, Beach Cruisers. We would assess the needs of our beach goers as the seasons progress in order to best accommodate them.

b) Submit a description and rendering of the facility, include design elements and signage. In addition, provide a cost estimate and timeline for facility installation.

To create the modular WCMB the initial investment would be in the 20K range. As to the rollout of the fully operational modular our estimation would be 4 to 6 weeks from the date the contracts are finalized by both parties.

Refer to renderings included in the "Vision" section.

c) List of proposed days and hours of operation.

Our goal would be to operate 7 days a week, open 9am - 7pm (summer hours), weekends following the summer season, in cooperation and communication with the city to best serve our community.

d) Outline a marketing and advertising plan.

Our initial marketing components would include working with both the MB Chamber and DTPA to promote our offerings to our local community. This would be complemented with advertising in our local papers and websites (ie: mbpatch, digmb.com, etc.).

Our larger push to the world would include the usual social media outlets, particularly: Facebook, Instagram, Twitter, Pinterest, Youtube.

Our on-location advertising would include a partnership with Enplug™ to help reinforce the social media arm. Also on location would be a "calendar" sandwich board for posters and flyers promoting local events and activities. This is where we would be reaching out to both city and private businesses for content, again working with both the MB Chamber and DTPA.

Additional promotions and specials would, of course, be included to help motivate use and awareness.



e) **Certify that all insurance requirements can and will be met.**

Proof of insurance is provided in the manner requested as it was in our previous partnership rental agreement on the beach.
See attached.

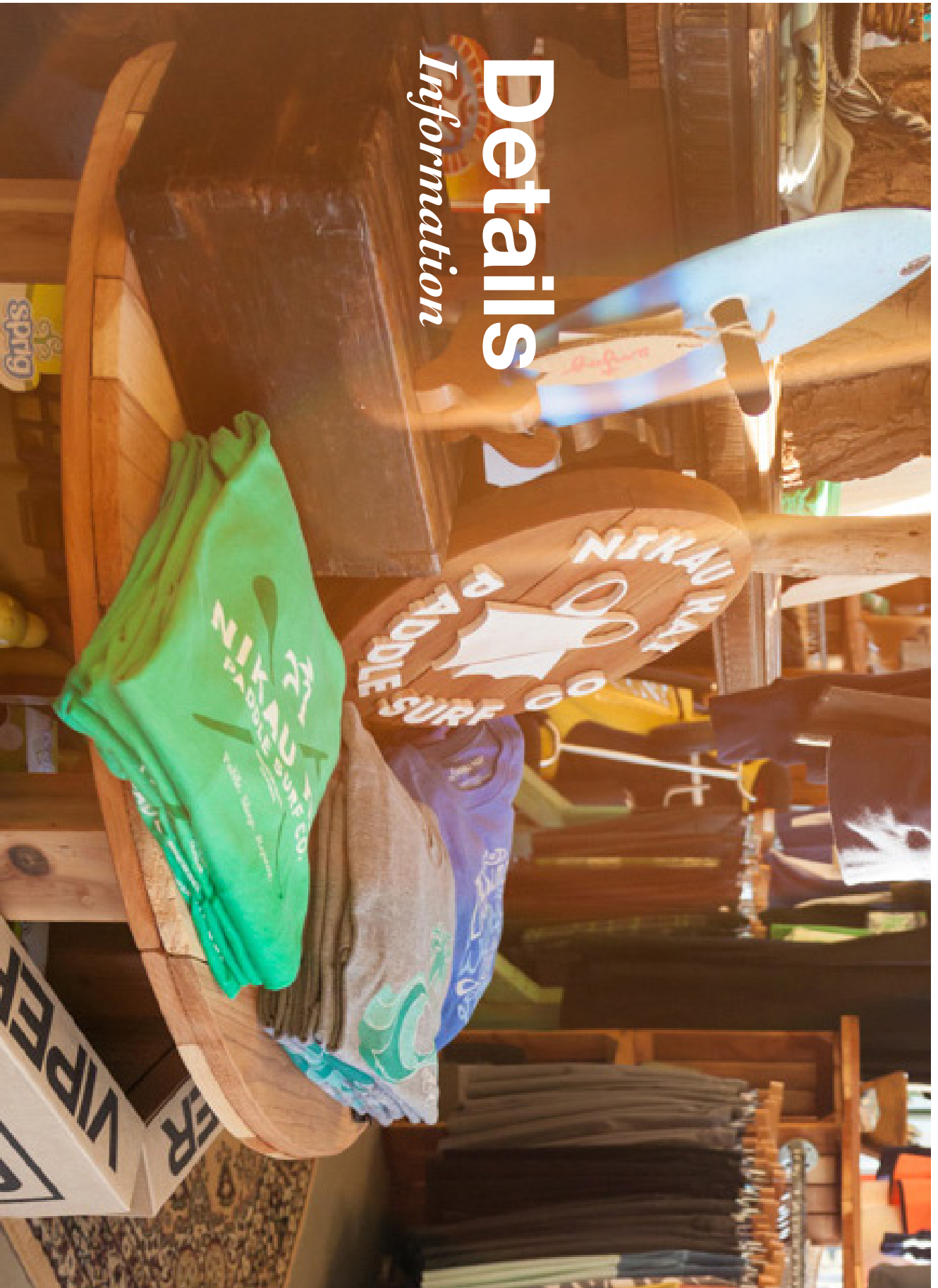
f) **Indicate proposed lease/rent percentage.**

Based on our past operations at the beach with the City we propose to match last years plan at a rate of 15% with a guaranteed minimum of \$2500 in the calendar year. We would look to schedule a review of the financials for the following years to access and update the operational rate accordingly.

g) **Contract Exceptions – Provide any proposed exceptions, additions, and/or deletions to the City’s request for proposal and/or Professional Services Agreement. Proposed exceptions will be considered on a case by case basis, but there is no guarantee that proposed exceptions will be accepted by the City.**

Our only request is to add the “informational” element to the project. In our vision we believe this should be a hub for locals and tourists alike to know what’s happening on the beach and in our downtown. Our intent is to help drive beach goers back into our downtown to dine, stay and shop.





2. Business Information

a) Contact information, including name, address, email address and phone #

Jason Shanks

President / CEO

p: 310.545.7007

f: 310.545.7004

Jason@nikaikai.com

1300 Highland Ave. #108

Manhattan Beach, CA 90266

b) Type of business entity, sole proprietor, partnership, corporation, etc.
S-Corporation

c) Corporate officers, if applicable

Jason Shanks - President / CEO

d) Experience and qualifications of business including length of time in business and locations at which the proposer has operated a similar service.

Last year we had the privilege of partnering with the City of Manhattan Beach to be the first to offer Rentals "at the beach." It was a great opportunity for us. We were able to work with both city and county officials as different challenges and opportunities came up through the summer. We were able to create valuable connections with our county lifeguards and with a simple phone call resolve questions and concerns as they arose. Our beach rental opportunity was really the impetus to reach out to the city and request the opportunity to do something larger, adding the informational component to our rental booth. One of the best parts of doing rentals down at the beach was getting to help out both locals and visitors alike with information about the happenings at the beach and downtown. It's always a great feeling to be in the know and pass the info along to help others.

When we founded Nikau Kai, it was just a rental and lesson business. That was back in June of 2011. Now, in the blink of an eye, we've just celebrated our fourth year in business. We've grown from rentals and lessons offered from a trailer behind a bike to a bustling little surf shop located at 13th & Highland in the heart of downtown Manhattan Beach. We still offer both lessons and rentals of all types of surf craft both here locally and in the King Harbor in Redondo Beach. It's been a wonderful journey thus far and our future looks bright.



Beach Equipment Rentals & Information Center

e) References – Please provide a list of references where similar work of similar size and nature is currently in process or recently completed. Include name of firm, telephone, and name of contact person. These references will be checked and may affect the award of the contract. The City of Manhattan Beach reserves the right to contact any of the organizations or individuals listed or any others that may stem from the inquiry.

Summer - 2014

Nikau Kai at the Beach

Beach Rentals - Surf, SUP, Bodyboard

Partnership with the City of Manhattan Beach

Contact:

Parks and Recreation Director

Mark Leyman

mleyman@citymb.info

310.802.5402

Operational Contact:

Recreation Services Manager

Jessica Vincent

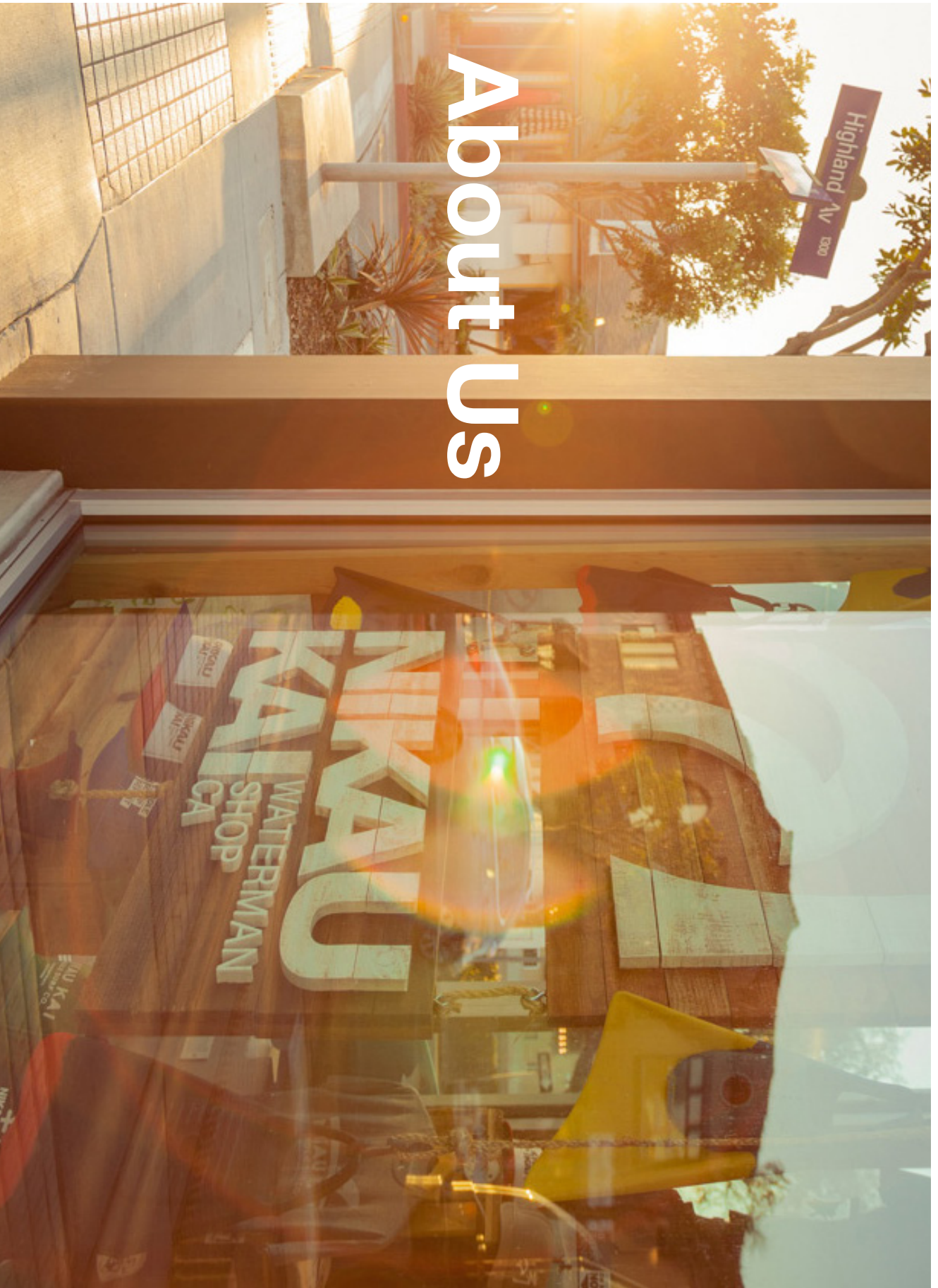
jvincent@citymb.info

310.802.5405

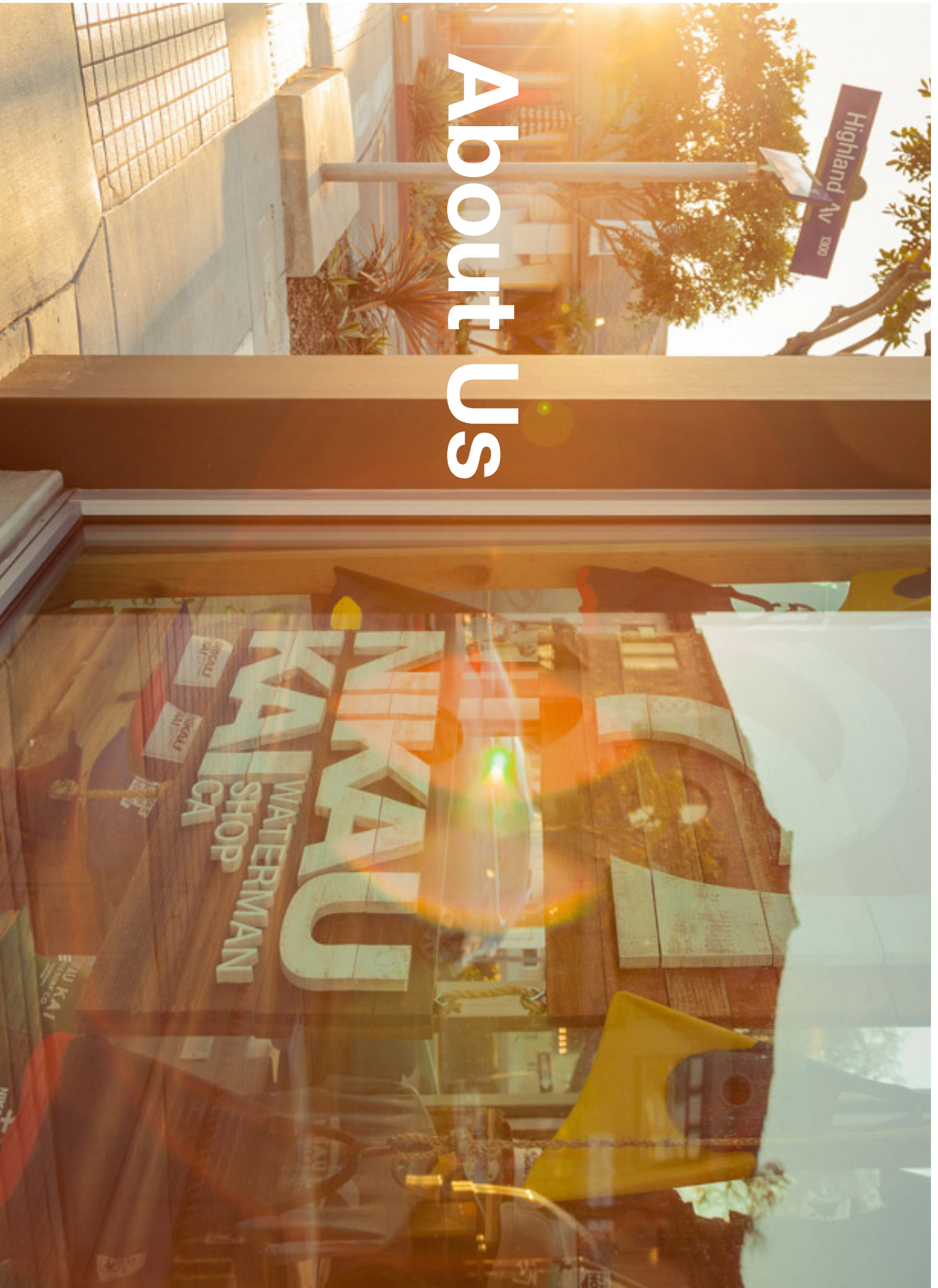
f) Describe how employees are screened.

Hiring is always the most challenging part of an operation. Finding solid, dependable people is the key to any successful venture. That being said, our focus is always to finding bright well-informed locals. Usually college and high school students that live and play in our community are the best choice. Obviously we look for folks who love the water as much as we do and use the Junior Guards Program as a measuring stick of how good the candidates will work with us. An affinity for the water and our town are very high on our list.





About Us



About Us

Local Downtown Business

Our name, our core:

Nikau and Kai... Palm and Ocean. Our name is our boys Nikau (4) and Kai (7). Our brand is our family.

A brief history:

Nikau Kai was founded in the summer of 2011, where we started out doing Stand Up Paddling Lessons from the beach. That fall we launched our website and the following spring we opened our doors in Manhattan Beach. Today we are the “surf shop” in Manhattan Beach and the go-to when it comes to expert information and training in both stand up paddling and surfing.

The shop:

Nikau Kai Waterman Shop is just that, a waterman shop, a place where you can find and try a nice variety of toys for riding waves and enjoying the ocean, from Stand Up Paddle Boards and Outrigger supplies to Handplanes, Piapos and Alaias to locally crafted custom Surfboards. Our shop also offers a unique selection of hard to find accessories and clothing to keep our customers looking and performing their best, in and out of the water. In addition to quality ocean gear, our shop offers SUP and surf lessons and rentals. It's a fairly new thing to say we're a waterman shop, as opposed to being another surf shop. Not to oversimplify it, but we like to think waterman simply means you love being in and on the water and prefer it to just about any place else, from lakes and rivers to open ocean crossings and of course, surfing everything you can get your hands on.



Aloha, J.S. Sun





April 9, 2015

Gwen Eng
Purchasing Manager
City of Manhattan Beach
1400 Highland Avenue
Manhattan Beach, CA 90266

RE: Request for Quotation #1038-15 – Beach Equipment Rentals & Information Center

Dear Ms. Eng,

Thank you for the opportunity to bid on the Beach Equipment Rentals and Information Center.

The attached proposal covers all points of the RFQ and fills in the details of our approach to best serve beach goers with equipment rentals in Manhattan Beach. We are pleased to note that Hermosa Cyclery meets or exceeds the requirements set forth in the RFQ.

My partners and I are enthusiastic about this opportunity. We have been thinking about a rental opportunity in this location for years, coincidentally. We love this business and will do a great job should we earn the contract.

We look forward to your questions or comments. My cell is (310) 621-9565.

Sincerely,

Steve Collins
President

HERMOSA CYCLERY

20 13th Street, Hermosa Beach, CA 90254 • (310) 374-7816

April 9, 2015

Proposal

**Request for Quotation #1038-15 –
Beach Equipment Rentals & Information Center**



Hermosa Cyclery Background

Hermosa Cyclery, Inc is owned and operated by four partners, Steve Collins, Larry Burke, Ken Liebowitz and Mark McNeill. We all four worked at Hermosa Cyclery as kids in the 70s and 80s and have owned our store for the last 13 years.

Excellent customer service has been the key to our success. We work hard to make all customers happy and view rare challenges as an opportunity to learn and make things right. Our Yelp reviews are all unsolicited and exceptionally positive. A natural outgrowth of our enthusiasm for customer service is our community engagement.

A fair amount of attention is invested in our community. For example, we were asked by the Hermosa Beach Chamber of Commerce to run the Fiesta Hermosa bike corral. We have done so since May 2009, serving 4,500 men, women and children per weekend, two times a year. We have also operated the bike corrals at the Earth Day Celebration and Concert at Polliwog Park since 2010, the Manhattan Beach Hometown Fair since 2014 and others like it in Manhattan Beach and surrounding cities. We also host the Bike Hermosa entry in the Hermosa Beach St. Patrick's Day Parade, garnering a generous amount of attention from spectators and the press and earning exceptional community participation in our entry. And it's all fun!

Our partner Steve Collins sits on the board of directors of the South Bay Bicycle Coalition (SBBC), a respected bicycle advocacy organization serving the seven cities of the South Bay, including Manhattan Beach. The SBBC is proud to have made substantial progress with new bike lanes and events in Manhattan Beach in 2014, among other local accomplishments. The SBBC's purpose is "Safer Biking for Everyone."

We are active with many local organizations such as The Women's Club of Hermosa Beach, Hermosa Beach Kiwanis Club, Hermosa Beach Sister City Association, Hermosa Beach Historical Society and many others. Any of them would make great references on our behalf. Google "Hermosa Cyclery" to see a fair amount of news in the Easy Reader, Beach Reporter and Daily Breeze covering our community activities.

Hermosa Cyclery is proud to have been voted Best Bike Shop seven years in row, 2009-2015, in Easy Reader's Best of the Beach survey.

Technical and Fee Proposal Information

1. Business Concept and Plan
 - a) Services – In our 40 years of experience offering beach-related services, bike rental is far and away most popular with locals and visitors. A bike-ride along

The Strand rates up there with a visit to Disneyland and other amazing things to do here. We would like to provide these services:

1. Bike Rental
 2. Surf Equipment Rental (stand up paddleboards, surfboards, Boogie boards)
 3. Beach Gear (chairs, umbrellas, volleyballs)
 4. Minor Bicycle Repairs (flat tires, lubrication, derailed chains, brake checks, urgent needs of those riding The Strand)
 5. Information. We provide a very cool, free pocket map and guide of The Strand covering PV to Malibu that people love (see Map and Guide page). And our staff will be educated on local hospitality information.
- b) Facility – We propose the use of a portable shipping container that can be dressed up to look cute or blend (see Facility Design page). Containers provide the necessary security and are commonly used as concession facilities. Esthetics and staff comfort are high priorities. We can paint or decorate the facility to blend with the environment or stand out, as the City likes. The planned open-face version will convey a welcoming tone for patrons and provides a comfortable, shaded facility for staff to work. We want our staff to want to work there, so it has to be nice. With The City’s permission, we plan to maintain that whole triangle by getting rid of weeds, trash, grading the sand and so on; to make it look as nice and inviting as the beach in front. The facility will be created using one 20’ and one 10’ container to fit the specified 30’ wide x 10’ deep facility, as shown. Precise facility size is 30’ wide by 8’ deep by 8’6” tall (standard container height).
- c) Hours – We agree with the 9:00am to 7:00pm hours of operation and would like to do so 7 days a week. We know firsthand how excited people are to enjoy these fun activities. Even one closed day would let down too many people.
- d) Marketing – Visibility by passersby will be responsible for a majority of the business. We know this from our research. Visibility is accomplished by having bikes and boards on display and having signage on the facility. Ideally, at least for a short time, an A-frame sign near the sidewalk at the opening of the parking lot near Manhattan Beach Blvd. would be a big help in making people aware of the service. With sensitivity toward not overdoing it with signs, a couple 8’ or shorter flag signs at the front of the facility would look festive and help. Second to visibility are referrals from local merchants, restaurants and other businesses. We would visit each in the area to let them know we are there and we would join and promote through the MB Chamber of Commerce. Advertising to locals in local papers, particularly for

Manhattan Beach residents would be our third priority, for direct business and referrals from locals. We're confident there will be an abundance of people to serve.

- e) Insurance – We currently have an A.M. Best Rated: A+XIV policy specifically for the above services, from an insurance agency that specializes in this kind of policy. The underwriter has agreed to add the Manhattan Beach location as incremental business, which is probably a \$15,000 flat fee savings on startup costs for this location. The industry-standard policy covers \$1,000,000 per occurrence, \$2,000,000 aggregate. We are in the process of adding the specified auto coverage to our policy.
- f) Lease – We would like to propose matching last year's \$2,500 per month to start, even though sales may be low at first. We are optimistic we will do well and anticipate the service can bear a higher rent in time, once on our feet and known to the community. We are open to guidance and suggestions. The retail industry standard 7% of sales is coincidentally about where we are with our current store near the strand. This may be the right formula.
- g) Contract Exceptions – Ideally, the 30-day notice for termination would be invoked only after the summer season is over, to help us recoup significant startup costs. If invoked earlier it should be limited to significant misbehavior or significant unforeseen complications with continuing.
- h) Equipment Maintenance – All of our equipment is tracked in a written maintenance log, to assure equipment is safe, operational and clean. Our staff is trained to inspect equipment during rental and service the equipment. Customer safety is paramount.
- i) Ingress and Egress of Customers (see Walkway and Staging page) – We have looked carefully at the path customers will take coming and going from the facility to the beach or bike path. We plan to provide an ADA qualified portable walkway from the facility to the cement, one that will be rolled up each day and can be driven over by vehicles (shown as grey path). We would like to create a staging area next to the bike path for customers to prepare to join or cross the bike path (shown in green). We think covering 1 bike rack to make room for staging in this ideal location would be a worthy trade. A staging area, whether it's this spot or another is important for safety.
- j) We think lining up bikes for rent along the cement platform above the bike racks near the bike path would be attractive and festive looking. It should also help to better serve customers. The space appears to be used only for skateboarding. See Walkway and Staging page.

2. Business Information

- a) Contact Information: Steve Collins, president, Hermosa Cyclery, Inc. 20-13th Street, Hermosa Beach, CA 90254. Cell (310) 621-9565, office (310) 318-1283, fax (310) 318-1285, email steve@hermosacyclery.com.
- b) Entity – We are an S corporation with 4 owners, 25% each. All four owners are active in the company: Steve Collins, Larry Burke, Ken Liebowitz and Mark McNeill.
- c) Officers: Steve Collins, president/CEO; Larry Burke, COO.
- d) Experience – Hermosa Cyclery has been in business at the same location for 40 years. The current owners have worked there off and on 35 of those years, about 5-10 years each in the 70's and 80s and 12 consecutive years each for the last 12 years we have owned the store. We have rented bikes, skates, Boogie boards and beach gear all of those 40 years, with that being our primary business. We also sell and service bicycles and skates.
- e) References –
 - 1. Landlord (40 years): Jeanette Oghigian, PO Box 10325, Torrance, CA 90505, Phone: (310) 378-8677
 - 2. Hermosa Beach Chamber of Commerce, Executive Director Kim MacMullan, 1007 Hermosa Ave, Hermosa Beach, CA 90254, (310) 376-0951
 - 3. Vendor: J&B Importers, Dereck Butterfield, (951) 544-2205, PO Box 161859 Miami, FL 33116. Dereck is in a California office.
 - 4. Vendor: Electra Bicycle Company, 3275 Corporate View, Vista, CA 92081, Elayne Fowler, (760) 607 2453 x127
 - 5. Colleague: Ted Ernst, founder of the Manhattan Beach Grand Prix, founder of Ted's Manhattan Cycles, founder of South Bay Wheelmen bicycle club, member of the board that brought us The Strand bike path and inductee into the US Bicycling Hall of Fame; 41040 Via Nivel, Palos Verdes, CA 90274, (310) 791-5521
 - 6. Client: Terranea Resort, Marissa Edwards, Director of All Things Fun, 100 Terranea Way, Rancho Palos Verdes, CA, 90275, direct (310) 265-2823
 - 7. Client: Beach House Hotel – Hermosa Beach, Marje Bennetts, manager/director, 1300 The Strand, Hermosa Beach, CA. 90254, direct (310) 802-4101
- f) Employee Screening – We have the nicest employees, as we hear all the time from customers. That comes from hard work on the part of our Larry Burke, our COO. Candidates often come through current employees, for best vetting before we even start. All candidates fill out an application, which we review along with a resume and check references. Larry personally interviews at length each candidate of interest. At the same time, they need to take his operations tests, which include doing math on time (minutes, hours, etc., for

rental business), making change and doing mechanical tasks on a bike. If they pass the tests, the harder test to pass is Larry liking them. Few get past that test, and Larry is almost always right. This process has been one of the keys to our success with providing excellent customer service. New employees are well trained once hired and managed very closely as we come to trust them. Most of our employees work for us for years and remain our friends long after moving on to their next dream job. See attached "Schu-eet Award for Excellent Service." Most of our employees earn these with a \$50 bonus, some multiple times.

Summary

Above is just the beginning to creating a fun beach equipment rental service for people visiting the beach in Manhattan Beach. We pride ourselves on making an effort everyday to improve on our services. We would be honored to earn the privilege of operating this service in Manhattan Beach and we greet the opportunity with an abundance of enthusiasm.

Our reputation and experience speaks volumes of our ability, reliability and trustworthiness. We take serving the public seriously and appreciate the outpouring of affection we receive from our customers and the community at large for that. We would bring this to our new location on day one.



Steve Collins – President

4/9/15

Date

Map and Guide



HERMOSA CYCLERY
Bike Rentals, Sales and Service

The Strand Map and Guide

(310) 374-7816 - HermosaCyclery.com
20-13th St., Hermosa Beach, CA 90254

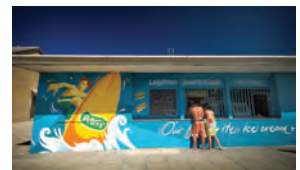
Actual folded size (2.5" x 4")

Facility Design

Facility – 30' wide x 8' deep x 8'6" tall with 10' wide roll-up doors



Facility Decoration Ideas



Walkway and Staging

Recommended safe staging area shown in green.
Recommended access path shown in gray.

Rental bike holding
area idea.



Celebration of 40 Years Service

HERMOSA CYCLERY

20-13th Street, Hermosa Beach, CA • (310) 374-7816 • HermosaCyclery.com

*Celebrating!
40 years!*

HERMOSA CYCLERY TURNS 40



Schu 1970's

Steve 1979

Larry 1979

Mark 1985

Ken 1985

Our Story

You may know Hermosa Cyclery best as the bike shop near The Strand with "free air" for your bike tires. But our story is a unique and special one with a history spanning four decades at the beach.

Our beloved Harold Schumaker (Schu) founded Hermosa Cyclery back in 1974 and built it into a landmark bike and skate store. Schu owned and operated his store for 28 years. It was his life and his crew was as close as family. Our boss was known as a compassionate man with a big heart. He helped countless people, sharing everything he had.

Upon his passing in January 2002, we were surprised to learn that Schu had left his store to the four of us in his will - Steve Collins, Larry Burke, Ken Liebowitz and Mark McNeill. We had come to know Schu as his employees at the store in the late 70s and 80s. We each worked for him for 5 to 10 years and loved our time at the store. We remained close with Schu in the years after, but we never expected the extraordinary gift he left us. We sure admired him and we are proud to carry on with the store he founded. It is a joy and a privilege for us to follow in his footsteps.

Remembering Schu in the Hermosa Beach City Council Chambers in 2002, Mayor, Kathy Dunbabin, said: "Nearly every child in Hermosa Beach worked at his shop, Hermosa Cyclery, at some point." That included the Mayor's own son.

Hermosa Cyclery's heart and soul was founded by Schu and have been kept alive and thriving by all the good people who have worked here over the last four decades including those who continue to make us proud today.

"We grew up working at this store, in the center of one of the coolest areas in the South Bay. It just doesn't get any better than that. It was a dream-come-true job for me at 16 years old," said, Steve Collins. "And it still is!"

There's one more special part to our one-of-a-kind story that completes our modern day fairy tale. The owner of our Hermosa Cyclery building just might be as proud of our history here as we are. Jeanette's history with the store is even longer than ours and it's filled with just as much affection. Because of her considerable generosity, Jeanette was instrumental in making it possible for us to inherit the store in 2002. No one has been a bigger supporter or is happier to see our store carry on Schu's legacy of serving the community today and into the future.

Jeanette and Schu have touched generations of lives, bringing happiness, fun and joy to our community and filling our lives - and so many others - with the good times and memories we will cherish forever. We are committed to continuing to share their vision, goodwill and love for what we do with the community for many years to come.

The sun is always shining on Hermosa Cyclery and it's always a beautiful day, to ride a bike here in the heart of Hermosa Beach.



Larry, Karen, Ken, Michelle, Mark, Jeanette, Steve & Debi



Steve, Larry, Mark, Ken and Family - Hermosa Cyclery 2002



Free Air For Your Bike Tires



Bike Entry in the St. Patrick's Day Parade



Fiesta Hermosa Bike Corral



Schu-eet Award for Excellent Service

Schu-eet Award for Excellent Service

Given to: _____

Date: _____

This Schu-eet Award is given in recognition of recently received stellar customer feedback.

The Schu-eet Award for Excellent Service is given to individuals who have proven to be of exceptional character, who rise above the average workaday ethic, who are eager to help others, who are happy when they make others happy, who count good deeds as accomplishments, who put others ahead of themselves, who are happy most all the time and who help create an environment people gravitate toward.

These qualities are special, attractive and valuable; all of which we recognize help Hermosa Cyclery to shine among its competition.

Schu-eet is the brand name coined by our partner Mark McNeill for our line of strand cruisers. We created and manufacture them solely for Hermosa Cyclery, using only the best components. So a special name was needed. Paying homage to our founder Harold Schumaker, aka "Schu," and capturing how sweet it is to ride The Strand, the name "Schu-eet" was a natural.

Perfect Day Surf Camp

Robbie French Inc.
Perfect Day Surf Camp
517 Faye Ln. Redondo Beach, Ca.
Phone: 310-985-1458
Fax: 310-540-2868

Subject: Quotation #1038-15 – Beach Equipment Rentals & Information Center

1. Business Concept and Plan

“Perfect Day Rentals” is proposing to provide quality equipment and instructional services to the community. We will also provide a visitor’s guide and information on community and chamber events calendar. All fitness stand up paddle boards are very stable that provide an excellent platform for all levels. The equipment we will provide is listed below.

a. SERVICES

1. Rental Fees

- Stand Up Paddle Board w/adjustable paddle & life vest
 - \$25/1 hour
 - \$35/1 hour with 10 minute demo
 - \$15 every additional hour
- Surfboard
 - \$25/2 hours
 - \$15 every additional hour
- Skateboards
 - \$15/2 hours
 - \$10 every additional hour
- Boogie Board
 - \$15/2 hours
 - a. \$10 every additional hour
- Wetsuit
 - \$10/2 hours
 - \$5 every additional hour
- Beach Chair
 - \$10/2 hours
 - \$5 every additional hour
- Umbrella
 - \$8/2 hours
 - \$4 every additional hour
- Combo Packages
 - Surfboard and wetsuit = \$30/2 hours + \$20 every additional hour
 - Beach Chair, Umbrella and boogie board = \$20/2 hours + \$10 every additional hour
 - Beach Chair and Umbrella = \$12/2 hours + \$8 every additional hour
 - Add \$15/2 hours to include a surfboard

2. Surf / SUP Lesson Fees

- o 1 ½ Hour Private Lesson \$120
- o 1 ½ Hour Group Lesson (2-4 ppl) \$90/pp
- o 1 ½ Hour Group Lesson (5-7 ppl) \$80/pp
- o 1 ½ Hour Group Lesson (8 or more people) \$70/pp

3. Retail

- Perfect Day surf shirts
- Perfect Day Hats
- Perfect Day bikinis
- Perfect Day Rash Guards
- Sunscreen

b. FACILITY DESCRIPTION

- a. I have had a design company for 14 years www.robiefrench.com and will make sure the business area looks chic and professional.
 1. \$2500 - Wrapped “Perfect Day Rentals & Lessons” Van
 2. \$1500 - 10x10 “Perfect Day Rentals and Lessons” custom canopy (photo ideas attached)
 - a. Surfboard Rack (see attached)
 - b. SUP Rack (see attached)
 - c. Retail/skateboard table
 - d. Registration Table
 - i. All sales online through software with statistics
 - e. Wetsuits on hangars

c. HOURS OF OPERATION

- a. Tuesday – Sunday 9am-7pm
- b. Beginning Memorial Day and ending through Labor Day (closed during major events)

d. MARKETING PLAN

- a. Email Campaign & Newsletters to my existing 6500 local emails through my surf camps
- b. Flier distribution (surf shops and places moms and kids attend & local stores)
- c. PTA Fliers to the local schools
- d. Easy Reader
- e. Beach Reporter
- f. What’s up for kids
- g. Camp Expos & Health Fairs
 - i. What’s up for kids expo
 - ii. Meadows Expo
 - iii. Manhattan Beach Middle School Expo
 - iv. Boeing Health Fair
 - v. Northrop Health Fair
- h. Social Media – my Perfect Day Surf Camp “active” accounts
 - i. Facebook
 - ii. Twitter
 - iii. Instragram
 - iv. Pinterest
 - v. My website
- i. Cross promotion
 - i. My website
 - ii. First time coupons at local surf shops
- j. Deals – first time deals
 - i. Groupon - Perfect Day currently holds the “Best of Groupon” for 2015
 - ii. Living Social
- k. Manhattan Farmers Market Booth

- i. Perfect Day has a weekly booth
 - l. Fliers at local hotels
 - m. Mom's Groups: Peachhead moms, Cool Coastal Moms, Meetup groups)
- e. INSURANCE – see attached insurance certificate
- f. LEASE / RENT PERCENTAGE
- a. 15% of total gross sales
- g. CONTRACT EXCEPTIONS
- a. Lessons and retail sales as noted above

2. Business Information

- a. Robbie French Inc. DBA: Perfect Day Surf Camp, 517 Faye Ln. Redondo Beach, CA. 90277
www.perfectdaysurfcamp.com, info@perfectdaysurfcamp.com, PH. 310-985-1458 FAX. 310-540-2868
- b. Type of Business: S Corp
- c. Corporate Officers: Robbie French-Yrigoyen
- d. Experience: (see below)
- e. References: (see below)
- f. Employees screening: (see below)

Robbie French Inc. DBA Perfect Day Surf Camp is owned by Robbie French-Yrigoyen and has provided safe and educational surf camps since 2001. Robbie is known for her entrepreneurialism running 5 star hotel restaurants from 1992 – 2001 and owning a fashion design business placing her designer belts and handbags in over 600 stores worldwide. She prides herself on professionalism with a strong work ethic that encompasses a positive environment while providing the best quality.

1989, Robbie discovered her love for surfing and traveled the world to surf after college. She also began volunteering at non-profit organizations teaching underprivileged kids to surf and how to be safe in the ocean. In 2001, Bob McKnight, the CEO of the worlds' leading surf company's Quiksilver/Roxy, acknowledged her accomplishments and proposed the idea of opening a surf camp in the Los Angeles area that he would mentor, educate and sponsor. (Quiksilver Contract and Letter available upon request). Robbie's proposal met all the requirements of safety, professionalism, organization and dedication and her first location was born in Santa Monica that year in 2001.

www.perfectdaysurfcamp.com
www.robiefrench.com

Camp Experience

Locations:

1. 2001-present -Santa Monica Surf and SUP Camps
 - approximately \$230,000 gross (statement of revenue attached)
 - contact for permit - Heath Hamilton 310-494-6953
2. 2005-present - Redondo Beach Surf camp & Adult Surf Workshops
 - approximately \$40,000-\$100,000
 - contact City of Redondo parks/rec, Carrie Diaz 310-318-0610 ext 3460
3. 2012 – present Torrance Beach Surf Camps
 - approximately \$145,000 gross (statement of revenue attached)
 - Contact Beaches & Harbors, Dona Kordich 310-305-9543
4. 2012- present Manhattan Beach Surf Camps
 - approximately \$54,000 gross (statement of revenue attached)
 - Contact Beaches & Harbors, Dona Kordich 310-305-9543
5. Hawaii 2 years – Charity surf day for Cystic Fibrosis

- non-profit
 - Contact Maui Ola Foundation, Bobby Serna 949-900-5560
6. 2007-present Maui Ola Foundation volunteer

Credentials, Qualifications & Certificates

- o Certificate of Accreditation: Nevada Small Business Development Center – Disadvantaged Business Enterprise Program (attached)
- o Better Business Bureau – BBB (attached)
- o First Aid, CPR, AED and Lifeguard Certified (attached)
- o 26 years surf experience & 9 years SUP
- o Implemented a solid Infrastructure for camps
- o Trained surf instructor by Quiksilver professionals
- o Retired surfing contestant
- o Professional entrepreneur of multiple companies:
 1. Robbie French Designs (www.robiefrench.com) 10 years
 2. Perfect Day Surf Camp, Redondo and Santa Monica surf/beach camps (www.perfectdaysurfcamp.com)
 3. Annenberg Beach House Stand up paddle boarding clinics
 4. “Perfect Days” a non-profit organization that offers surf instruction & equipment to organizations benefiting children in need
- o Santa Monica local 1984-2004 & Redondo Beach local 2004-Present and new home owner in Redondo Beach.
- o 43 year old mother of 2 young children and wife of loving, supportive husband
- o Swim Instructor of 11 years
- o Mentor at Stoked Mentoring Foundation for inner city kids ages 5-17
- o Volunteer at local charity events: Safety Harbor Kids, Make a Wish Foundation, CF Surf Days, Local School Fundraisers
- o Co-Chair of women’s social networking groups in Santa Monica and Redondo Beach: Southbay Surf Mamas, Cool Coastal Mommas, Yahoo Surf Moms
- o Good Business Sense & generate revenue for local businesses:
 - o combine specials with local shops
 - o cross promote
 - o bring tourism – hotel packages – access destination affiliations – schools abroad
- o Managed most popular bars and restaurants in Los Angeles Area including The SKYBAR at Mondrian Hotel, The Standard Hotel, Casa Del Mar Hotel & Hotels in New York City (more about Robbie in attached article)
- o Trained and experienced Search Engine Optimization for marketing
- o Good standing with all vendors & pay on time
- o Good relationship with lifeguards and other camps
- o Good work ethic
- o Employ a staff of over 75

REFERENCES:

1. Quiksilver Inc.- sponsors
 - a. Bob McKnight (CEO) – 949-378-2460
2. Licker & Ozurovich CPA – Accountants/Bookkeepers
 - a. Andy Ozurovich 310-226-7575 andyo@locpa.com
3. PSA Insurance – Camp Insurance Broker
 - a. Austin Myers 760-728 5259 austin@psainsurance.com
4. What’s Up for Kids – Advertiser
 - a. Cathy Allesandra 310-283-5271 or office 310-544-1042 ext 701 cathy@whatsupforkids.com
5. Maui Ola Foundation – Partner in Charity Events
 - a. Bobby Serna 949-900-5560 bserna@mauliola.org
6. City of Santa Monica Beaches and Harbors – Issues my permits
 - a. Heath Hamilton 310-494-6953 heath.hamilton@smgov.net

7. Parent – Monique Simpkins 310-869-8697 simpkins.ry@gmail.com
 8. Parent – Meredith Harvey 213-841-2777 dandmharvey5@aol.com
 9. Parent – Shilpa Knoll 714-206-6238
 10. Testimonials attached (full comments can be viewed at www.perfectdaysurfcamp.com)
- More parent references available upon request.

EMPLOYEE SCREENING:

- ADP interviewing process
- Background checks
- Live Scans (upon cities request)
- All CPR/First Aid/AEd and lifeguard certified

Perfect Day Surf Camp
517 Faye Ln Redondo Beach, Ca 90277
www.perfectdaysurfcamp.com info@perfectdaysurfcamp.com
Ph. 310-985-1458 Fx. 310-540-2868



Proposal for Quotation: #1038-15
Beach Equipment Rentals & Information

Contact:
Campsurf
Tommy Ostendorf
Tommy@Campsurf.com
310-963-0232

Business Concept and Plan

Services

Campsurf will provide the following services:

- Rentals
 - Foam Surfboards
 - Boogie Boards
 - Wetsuits
 - Beach Chairs
 - Beach Umbrellas
 - Volleyballs
- Surf Instruction

Campsurf is currently contracted to run the Parks and Recreation summer surf lessons and classes for the city of Manhattan Beach at the south side of the pier. In addition, we will offer the following surf programs under this contract:

 - Private Surf Lessons (Walk-up and pre-scheduled)
 - Group Surf Classes
- Merchandise (optional)

We can offer merchandise sales including Campsurf / Manhattan Beach T-shirts, hats, rashguards, etc.
- Information

Campsurf will act as an information source for beachgoers, directing them to local retail, dining, activities, etc.

Facility

Initially our facility will include two, side-by-side shade canopies, branded Campsurf, with descriptions of our offered services. Additionally, we will have hanging banners with descriptions of our services and 10ft flags attached to the canopies to attract passerby's. The facility is completely mobile and will be taken down each night. Total cost of the facility is \$1,200 and no installation is required. Below is an example of our tent canopy. Verbiage will be changed to include rentals and other services.

We have devoted a lot of time and money into creating a mobile operating system to run our Campsurf programs. This system will allow our staff at the facility to use an iPad to process cash, check and credit card payments for products and services. The system keeps track of every service and allows for simple reporting on a daily, weekly or monthly basis. Clients can also sign liability waivers on the iPad as well as register for future services. The system operates over a data network so no wi-fi or power is necessary.



Days and Hours of Operation

The facility will operate 7 days a week, 9AM to 7PM, from June 20th through September 7th. The facility will be open weekends starting May 23rd. Should we feel demand exists mid-week prior to June 20th, we will assign staff and operate the facility during that time.

Marketing and Advertising Plan

Through our research, we have found that approximately 40% of our participants hear about us through various online search engines. We understand the value of an exceptional online presence so we are constantly updating our website with content, features, posts, photos, etc. to draw more traffic. We budget \$300 a month for search engine optimization and recently hired a part time social media expert to create and manage our Facebook, Twitter, Instagram and YouTube accounts. We will customize our website specific to our new facility at the Manhattan Beach Pier.

The majority of our participants hear about us through word of mouth, almost 50%. This keeps us motivated to constantly find ways to improve our services for our clients. For us, our service includes everything from finding us, having your questions answered, registering, participating in the service and follow-up on the services rendered.

Constant contact is a huge tool for us to communicate with participants. We send monthly email blasts to participants, past and present, and bi-weekly emails come summer time. Each participant receives a follow-up email after each of their services expressing gratitude for choosing Campsurf and asking them to share their experience with us on our social media pages.

Over our 20 years of operation in Manhattan Beach, we have developed strong relationships with local businesses and have created a significant referral network. We will extend those to include our new facility as well as distribute Campsurf banners, flyers and postcards to these local retail stores, restaurants, and real estate offices in Downtown Manhattan Beach.

Below is a list of our online resources:

- Website: www.Campsurf.com
- Facebook: www.facebook.com/Campsurf
- Instagram: www.instagram.com/Campsurf
- YouTube: www.YouTube.com/Campsurf
- Twitter: www.Twitter.com/Campsurf

Insurance

Our current Campsurf operations require us to carry the following policy, which is valid for the year and is renewed annually.

Comprehensive General Liability: We carry General Liability in the amount of \$1,000,000 with a \$2,000,000 aggregate and an Additional Insured (AI) naming the City of Manhattan Beach (or whatever entity is required by this license) as an additional insured.

Automobile Liability: \$1,000,000 limit for bodily injury and property damage, in combined or equivalent split limits, for each single accident. Insurance covers liability arising out of Campsurf's use of autos pursuant to our license, including owned, leased, hired, and/or non-owned autos, as each may be applicable.

Workers Compensation: We also carry a workers compensation policy for all our Staff through our Payroll company and State Fund.

Proposed Lease/Rent Percentage

For the initial year, we propose a lease fee of 15% of gross revenue collected from operations at the proposed facility. As it is the first year at this location operating this type of business, we feel this is a mutually beneficial structure. We feel we can generate revenues that will produce a fee to the Licensor in excess of \$2,500 per month, especially in the months of July and August.

Campsurf will provide a detailed breakdown of revenue collected from this facility along with a check for full payment within the first 7 business days of the following month. This report can be detailed to include revenue broken down by service category, if preferred.

Contract Exceptions

We proposed a schedule change in May and early June based on demand for full day operations mid week. We are willing to operate as requested, if preferred by the Licensor.

For safety purposes, we will not be offering Stand Up Paddle services at this facility. Stand Up Paddleboards are extremely dangerous due to their size and weight and should not be used in an area with breaking waves. Their use anywhere near the Manhattan Beach Pier during the summer months puts both the paddler and all swimmers/surfers at risk. If Campsurf is not issued this license, we highly advise the Licensor to exclude SUP from the licensee's service offering.

Business Information

Contact Information:

Tommy Ostendorf
504 N. Broadway
Redondo Beach, CA 90277

Type of Business:

S-Corp

Corporate Officers:

Tommy Ostendorf
Chris Brown
Mark Gerold

Operational Experience

Campsurf has been operating in the South Bay area of Los Angeles County since 1997. Our programs were created by LA County Lifeguards and watermen to provide a safe, educational and fun surf, beach and ocean experience for visitors and residents of the area. Campsurf was named "Los Angeles' Premier Surf School" by the Los Angeles Business Journal and is the official surf school of the City of Manhattan Beach, operating the Surf Classes and Surf Camps for the city's Recreation Department since 1997. We have been featured on ESPN, Fit TV, K-CAL Channel 9, the nationally broadcasted CBS Morning show, HD Net's "Get Out!" and the nationally syndicated TV show "The Doctors". Campsurf is also the surf school partner of the Jimmy Miller Memorial Foundation, a non-profit 501(c)(3) that works with the Wounded Warriors Battalion, VA and at-risk youth facilities to promote the healing powers of surfing and the ocean environment.

Partnerships

In 2012, Campsurf partnered with BeachSports to manage, improve and grow their business. BeachSports provides youth beach activity and ocean safety programs with locations in Newport Beach, Corona del Mar, Hermosa Beach, Redondo Beach and Manhattan Beach. BeachSports has been operating camps in Newport Beach for 9-years under the direction of Jack Tingley.

We also recently partnered with Body Glove International, which gives us access to top quality surfboards, wetsuits, rashguards, shade tents and more at competitive prices. We receive support from other well-known brands, including GoPro, Globe Shoes, Fresh Brothers Pizza, John Wayne Cancer Society, Dizm Eyewear, Zico Coconut Water and JS Surfboards.

Operation Locations

Campsurf currently holds two beach use permits in Manhattan Beach at Rosecrans Avenue. Our private lesson permit allows us to accommodate groups of up to 30 surfers in the water at a time and our camp permit allows us 25 campers in the water and 50 on the beach at any given time. Campsurf also has a contract with the City of Manhattan Beach to run their Parks & Recreation surf classes and camps, which it's held since 1997.

Our recent management contract with BeachSports has expanded our Camp management reach to 9 additional locations under the BeachSports/PCH Skate Camps name.

Program Specialty

Campsurf specializes in providing quality surf instruction at a level of professionalism that exceeds the expectations of our clients. We strive to make the entire surfing experience, from registration to final wave, an enjoyable one. For over 18 years we have provided our clients, whether private lesson adults or youth campers, with the knowledge and skills necessary to safely and confidently ride waves on their own. Our low instructor to surfer ratio of 1:4 in all our programs guarantees personal attention and instruction. All of our instructors are experienced watermen and women and accomplished surfers who have completed our detailed training program.

Staff Screening Process

All of our staff are CPR and First-Aid certified and we process a criminal background check on each member through a government service online. We also have a training process each staff member must undergo prior to being hired.

References

Name: Russ Lesser

Title: President, Body Glove International; Former Mayor of the City of Manhattan Beach

Services Performed: Surf instruction for various non-profit events sponsored by Body Glove, including the Jimmy Miller Memorial Foundation.

Phone:

Email: Russ@Bodyglove.com

Name: Deborah Hom

Title: Recreation Supervisor

Services Performed: Campsurf has held the contract to operate all surf lesson and camp programs for the City of Manhattan Beach Parks and Recreation Dept. since 1997.

Phone: 310-802-5413

Email: dhom@citymb.info

Name: John Kim

Title: Dean of Admissions at Harvard Westlake School, Westwood, Los Angeles

Services Performed: Campsurf has coordinated and conducted year-round private surf camps, classes, lessons, retreats and fundraisers for the Harvard Westlake School for since 2005.

Phone: 310-274-7281

Email: JKim@HW.com

Name: Terry Yamamoto

Title: Chief of Lifeguards Los Angeles County

Services Performed: Campsurf has operated on LA County beaches since 1997 and has maintained it's excellent reputation amongst lifeguards

Phone: 310-372-2166

Email:

Name: Steven Napolitano

Title: Future Supervisor for the 4th District of LA County

Community Impact

Addressing Resident Concerns

As discussed above, residents are our word-of-mouth advertisers who make up almost 50% of our business so it is in our best interest to ensure we are on good terms with them at all times. We will adapt however necessary to alleviate any and all concerns. Regarding our impact on the surfing community, we are surfers as well and understand the frustrations of over crowding in the lineup. Our staff will always look for the least crowded areas within our permitted area to conduct lessons and direct renters. We want to avoid any crowds for safety reasons. In the event of a conflict, our instructors are trained to conduct themselves as if they are speaking with an authority figure; "yes, sir", "I'm sorry, ma'am", "We will move right away", etc.

Proactive Communication with Residents and Businesses

At the sign of any conflict, we will search for a solution. We want to have a positive impact on all members of the community and will adapt however necessary to ensure harmony in our areas of business. At no point do we ever want to be “those guys” and we will be proactive about maintaining positive relationships with surrounding residents and businesses.



Campsurf Van in Los Angeles

Additional Materials

Testimonials

Given the fact that both my wife and I work full time, summer camps are a way of every summer day life. My son, Malcolm, has been to probably 10-15 different camps over the past 5 years, many of them beach camps. Of all of the beach camps, the camp my son enjoyed the most was undoubtedly Campsurf. Not only did Malcolm enjoy Campsurf, but got the most out of it compared to other summer camps. Campsurf was more than just camp, it was a place where my son learned about water safety, keeping our beaches clean, the importance of surf – related humanitarian efforts like Surf Aid, where swells come from and why waves do what they do, respect for other surfers and beach-goer, plus much much more, all while learning how to surf. The instructors were kind, fun, helpful and informative...so much that Malcolm now participates in the Campsurf After School programs. Businesses like this are crucial to bringing our children up in and around the water. It's a fun, safe and educational place for our kids to grow into becoming responsible surfers and beach-goers.

- Jeff Cutler

Being from Idaho I had no idea what to expect from a surf school I just picked off the web but I only had a few hours in LA and wanted to learn how so I decided good or bad I would just do it. My surf instructor, Kyle, met me in the parking lot at Manhattan Beach, got me into a good wet suit and ran me quickly through some basics on the sand. I was in the surf quickly and ready to catch a wave. Kyle was really positive as I wiped out a couple of times (giving me pointers along the way) and soon I was riding each wave I caught back to the beach. Kyle's attitude was great, he was really encouraging and made me feel comfortable being a newbie. I highly recommend Campsurf and highly recommend Kyle. Now, I just need to find a good place to surf in Idaho.

- Quinn

Having a child diagnosed with autism, has lead to its fair share of heartache and disappointments. Perhaps most difficult has been attempting to find after school programs and camps that have the patience to deal with these unique and wonderful kids. That is why, I can't state strongly enough the positive and beneficial experience that my son is having at Camp Surf. To say that it exceeded our expectations would be a tremendous understatement. My son, who was initially reluctant to attend the surfing lessons, quickly became enamored with surfing and bonded immediately with the staff. The instructors all seem personally vested in the development and success of every student, while making the experience fun and enjoyable. There is no pressure for performance here, just encouragement and camaraderie. Since attending Camp Surf, I have noticed improved confidence in my son and his true desire to continue with the sport. I could not have dreamed of a better scenario. This is why I give Camp Surf my highest recommendation and thank Chris Brown the Executive Director of the Program for his dedication to helping others and instilling to his students a passion for the great sport of surfing.

- Kathryn Novakovic

Thank you for making my bachelorette memorable and amazing for everyone! All the Campsurf instructors are AMAZING! They take the time with each surfer to be sure they are knowledgeable and safe in the water and put everyone at ease so you are able to focus on what it's all about... Having a great time and experiencing surfing! We will all be back soon to surf with you!!! Thanks again!

- Carly

I wanted to send you a note to thank you for doing such a great job with Kevin last week. He REALLY didn't want to go, but I didn't know that until after I set it up. He doesn't like to try new sports and is afraid of sharks. Of course he had a great time surfing with you anyways. He told me afterwards how much he liked it. He also talked about how much he liked it when his cousin came the next day too. I knew if anyone could get him in water it would be you.

- Wendy

I just want to say how pumped I am on everything you and the team have done for Mac. He honestly enjoys surfing more than any other sport...how lucky am I? I attribute that all to you guys. THANK YOU!!!! Please pass the thank you along to Jason and the others who help make each Friday something to look forward to.

- JC

Hey guys, Just wanted to let you know that we had an awesome experience this week! Taylor Hein was amazing, working with my 9-year-old daughter, Callie. He taught her so much in such a short time. She now feels totally safe and confident in the water - and I can assure you that a lifelong surfer has been born!

Taylor went above and beyond to make this the best possible experience for Callie in every way. Can't tell you how much I appreciate that! Also, your customer service across-the-board was excellent. We will be back all summer for Camp! Kudos to running such a first class operation. All the best,

- Tina

Dear Tommy, You not only answered my questions, but you did so very promptly - Thank you! Unlike your competitors, you answered the phone when I had called and my inquiries were addressed efficiently and professionally. Also, I found your website to be easy to navigate and very well designed. I will be booking my private lesson with Campsurf today. I look forward to my first surfing experience during my maiden voyage to L.A this weekend. See you soon,

- James



City of Manhattan Beach
General Services

Phone: (310) 802-5568
FAX: (310) 802-5590
TDD: (310) 546-3501

March 19, 2015

Subject: Request for Quotation #1038-15 – Beach Equipment Rentals & Information Center

The City of Manhattan Beach (“City”) is soliciting quotations from qualified firms to provide beach equipment rentals of one or more of the following: surfboard, stand up paddle board, bicycle, etc., as well as information center for beach goers at the south end of the Manhattan Beach Pier.

Background

The City of Manhattan Beach is located within the southwestern coastal portion of Los Angeles County in what is commonly referred to locally as the “South Bay” area. The City is 3.88 square miles in size, with 2.1 miles of beachfront. For additional information about the City, click on: <http://www.citymb.info/>

The following features characterize the area surrounding the designated location for the beach concession:

- 16 sand volleyball courts
- Restrooms
- State pier
- West break surf spot
- Public Parking for 118 vehicles
- Destination for bicyclists from Redondo Beach to Santa Monica along the bike path

Scope of Services

The City of Manhattan Beach is seeking to contract with one business that has experience offering beach and water activity rental equipment. The available space is a sandlot (see Attachment A) with no power or water. While a final Agreement of Services will be crafted upon selection of a business, the City anticipates that the Scope of Work submitted through this process will, at a minimum, address all of the following components. The City is also open to suggestions for additional items and articles to be considered for the concession services. The City shall have the sole discretion as to whether or not to permit such items. The estimated timeframe to begin services is May 22, 2014 and end after Labor Day.

1. Provide a portable facility to operate the concession. The business shall provide a detailed facility design with sensitivity to the aesthetics of the area.
2. Business shall ensure equipment is maintained in a good condition and replaced as necessary in order to provide safe and presentable equipment to beachgoers.

General Services Address: 3621 Bell Avenue, Manhattan Beach, CA 90266
Visit the City of Manhattan Beach web site at <http://www.citymb.info>

3. Business must ensure the sandy lot is free of trash and debris. In addition, vendor is responsible for ensuring the lifeguard safety zone is open at all times.

Business Terms

The City of Manhattan Beach Parks & Recreation Department Staff will negotiate an operational agreement with the selected party or parties based on the following terms:

1. Term: The selected concession will be granted an initial one (1) year term with the possibility of four (4) additional one-year extensions for a total contract term of five (5) years).
2. Consideration: percentage of gross sales (last year, the City realized \$2,500 per month)
3. Required Insurance: See attached sample contract.
4. Hours of Operation: The beach is open from dawn until 10:00pm year-round, however, the concession is required to be open beginning Memorial Day weekend through Labor Day. The City recommends the hours of operation to be Tuesday through Sunday, 9am to 7pm. Concessions must be closed during major events, including the International Surf Festival and the Manhattan Beach Open.

Technical and Fee Proposal Information

The contents of the proposal shall be submitted in the order as specified below. The proposal shall include, at a minimum, the following information listed below in the same order as requested:

1. Business Concept and Plan
 - a) Please define service(s) business you would like to operate. You may propose any combination of services, as well as others not included in this solicitation, subject to approval by the City.
 - b) Submit a description and rendering of the facility, include design elements and signage. In addition, provide a cost estimate and timeline for facility installation.
 - c) List of proposed days and hours of operation
 - d) Outline a marketing and advertising plan.
 - e) Certify that all insurance requirements can and will be met.
 - f) Indicate proposed lease/rent percentage.
 - g) Contract Exceptions – Provide any proposed exceptions, additions, and/or deletions to the City's request for proposal and/or Professional Services Agreement. Proposed exceptions will be considered on a case by case basis, but there is no guarantee that proposed exceptions will be accepted by the City.
2. Business Information
 - a) Contact information, including name, address, email address and phone #
 - b) Type of business entity, sole proprietor, partnership, corporation, etc.
 - c) Corporate officers, if applicable
 - d) Experience and qualifications of business including length of time in business and locations at which the proposer has operated a similar service.

- e) References – Please provide a list of references where similar work of similar size and nature is currently in process or recently completed. Include name of firm, telephone, and name of contact person. These references will be checked and may affect the award of the contract. The City of Manhattan Beach reserves the right to contact any of the organizations or individuals listed or any others that may stem from the inquiry.
- f) Describe how employees are screened.

Award

The City will review the quotes received to determine if further negotiations for an Agreement are warranted. If a decision is made to proceed, the City may enter into negotiations with the firm providing the highest return for the subject services. Should City staff and the selected firm be unable to reach an agreement, negotiations with that firm will be terminated. Negotiations will then commence with the next highest firm from the list, and so forth, to determine if an agreement can be reached and a firm is selected. The City reserves the right to make no award.

Contract Termination

The City of Manhattan Beach may terminate without cause at any time upon thirty (30) calendar days advance written notice, delivered as certified mail by the United States Postal Service. In no event shall the City be liable for any loss of profits on the resulting term of the contract. The Contractor may cancel the contract upon 30 days written notice.

Licenses

Contractor shall be responsible for all licenses and permits required to perform this work in accordance with Federal, State and local requirements and shall be responsible for all fees resulting there from.

Payment

Payment will be made to the City on a monthly basis.

Insurance Requirement

The Contractor shall, at its own expense, procure and maintain for the duration of the Agreement, insurance against claims for injuries to persons or damages to property which may arise from or in connection with the performance of the Agreement by the Contractor, its agent, representatives, employees, or subcontractors.

Professional Services Agreement

No agreement shall be binding upon the City until a Professional Services Agreement is completely executed by the Contractor, City Manager, and approved by the City Attorney. Failure to execute and return the contract agreement and acceptable insurance documentations in a timely manner may be just cause for the City to rescind the contract offer.

Bidder Must Make Thorough Investigation

It is the bidder's responsibility to examine the location of the proposed work to fully acquaint themselves with the specifications and the nature of the work to be accomplished. Proposers shall have no claim against the City based upon ignorance of the nature and

requirements of the project, misapprehension of the site conditions, or misunderstanding of the specifications or contract provisions

If your company is able to provide the above-described concession, you may email your response to geng@citymb.info by end of business, Thursday, April 9, 2015. Please email me directly if you have any questions regarding this RFQ. Thank you for considering this matter.

Sincerely,

A handwritten signature in blue ink, appearing to read "Geng" followed by a stylized name.

Purchasing Manager

Attachments

City of Manhattan Beach
Request for Quotation
Beach Equipment Rentals and Information Center

Attachment A – Aerial View of Pier



Attachment B - Insurance Requirements

A. Prior to commencement of work, and throughout the duration of the contract, will be required to procure and maintain all or apportions of the following insurance:

1. Commercial General Liability insurance, or its equivalent, with limits of not less than \$2 million per occurrence. If a general aggregate applies, either the general aggregate limit shall apply separately to this project/location or be twice the required occurrence limit. Such insurance shall be primary and not contribute with any insurance or self-insurance maintained by the City. Such insurance shall be endorsed to designate the City, its elected and appointed officials, employees and volunteers as additional insureds.
2. Business Automobile Liability insurance with limits of not less than \$1 million per occurrence. Such insurance shall include coverage for owned, non-owned, and hired automobiles.
3. Workers' Compensation insurance as required by California law and Employer's Liability insurance with limits not less than \$1 million per accident for bodily injury or disease. The workers' compensation insurance shall contain an endorsement stating the insurer waives any right of subrogation against the City, its elected and appointed officials, employees and volunteers.

B. Special Provisions Applicable to All Coverages

1. The policy must provide the City 30 days' notice of cancellation.
2. Self-insured retentions must be declared and approved by the City.

C. Evidence of Insurance: Prior to commencement of work, the Contractor shall furnish the City with certificates and specified endorsements evidencing compliance with these insurance requirements. The Contractor agrees to provide complete, certified copies of all required insurance policies if requested by the City.

D. Acceptability of Insurers: Insurance shall be placed with insurers that maintain an A.M. Best rating of A-VII or better; or otherwise meet the written approval of the City.

E. The Contractor shall ensure that subcontractors maintain insurance that complies with the requirements stated herein.