



# MEMORANDUM

Agenda Item #: IV  
Mayor's Report – Matters of Community Interest  
Meeting Date: July 12, 2016

**TO: HONORABLE MAYOR AND CITY COUNCIL**

**FROM: ANTON DAHLERBRUCH, CITY MANAGER /s/**

**SUBJECT: SCOPE AND SCHEDULE FOR CITIZENS FIRE & PARAMEDIC SERVICES FUNDING COMMITTEE**

**DATE: JULY 12, 2016**

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## **ISSUE/PURPOSE**

This report presents to the City Council and community the Citizen Fire-Paramedic “blue ribbon” Committee, appointed by the City Manager, and provides the Committee’s mission and schedule for developing a recommended ballot measure for March 2017. With the presentation of this report, staff is available to answer questions about the Committee, process, schedule, and goals relative to work ahead. This report is to “receive and file.”

## **BACKGROUND**

Fire and paramedic services for City residents, inclusive of brush inspection, emergency response, rescue, building construction-related services, and all personnel and equipment, are provided by Los Angeles County as a contract service. The public safety services provided by the County will cost the City \$4,703,820 in fiscal year 2016-17 and \$4,826,030 in fiscal year 2017-18, and it is paid by an assessment collected with property taxes (a special parcel tax) based on a formula approved by voters in 2007. The parcel tax was approved by 87.3% of City voters for a term of 10 years that sunsets on June 30, 2017. Renewal of the tax must be placed on a regular election ballot in March 2017 for continuing the funding and services of the Fire Department; other City revenues, primarily consisting of property tax, are not sufficient for meeting the funding obligations of fire and paramedic services along with the other existing municipal services provided by the City.

Since 1986, the Los Angeles County Fire Department has provided fire suppression and paramedic services, enforcement of the City Fire Code and support services, such as cliff rescue, to Palos Verdes Estates from the station located in City Hall. At the time and to the present day, the station consists of one 3-person engine company and one two-person paramedic rescue squad. It is staffed on a 24-hour basis, seven days a week with the following personnel:

3 Captains  
3 Fire Fighter Specialists  
9 Fire Fighters/Paramedics  
15 Total

In 1991, a five-year assessment was approved by voters. The citywide assessment for fiscal year 1991/92, was \$1,940,000<sup>1</sup>. In 1996, the City negotiated a ten-year renewal / extension of its agreement with the County for Fire and Paramedic services (covering the period of July 1, 1996 through June 30, 2006) that included a variety of cost containment measures to stabilize costs. An annual fee limitation was adopted that limited annual increases to no more than 6.5% and eliminated the separate charges for fire prevention personnel. In 2006, a second ten-year renewal / extension to the City's agreement with the County was adopted. While clarifying administrative aspects of billing, the agreement also reset / reduced the annual fee limitation to 4.2% for five years and thereafter, 1% over the five-year average. At the time, the annual citywide contract cost (and assessment) was at \$3,328,000<sup>2</sup>.

The City's agreement with the County is "evergreen." It does not expire. For fiscal year 2016-17, the actual annual fee limitation is 4.06%, slightly below the cap negotiated in 2006. With the special tax expiring on June 30, 2017, a ballot measure for its reauthorization is necessary. On January 13, 2016, the City Council directed the City Manager to create a citizen "blue ribbon" committee to evaluate the need for the tax and, accordingly, make a recommendation relative to a ballot measure for March 7, 2017.

The annual charge for a median-sized home in the City (2,450 square feet) is currently \$788.64.

### **IMPACTS OF PROPOSITION 13 AND PROPOSITION 218**

Proposition 13, approved by voters in 1978, placed a limit on the growth property taxes and changed the revenue stream to municipalities through substantially restructuring the fiscal relationship between cities and the State of California. Prior to Proposition 13, local property taxes comprised approximately 60% of the City's General Fund revenues and as a result of the initiative, property tax revenues were reduced by approximately two-thirds. This resulted in "layoffs at City Hall, the loss of the City's Fire/Paramedic unity, the inability to continue maintenance of the median islands, and the severe curtailment of office hours that the staff was available to the public."<sup>1</sup> For Palos Verdes Estates, this had the additional future impact of (1) limiting the growth of available revenues for addressing routine increases in operational costs,

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<sup>1</sup> December 17, 1999 Memorandum from James B. Hendrickson, City Manager, to Mayor and City Council entitled "Proposition 218 and Re-Enactment of Fire Suppression Benefit Assessment District."

<sup>2</sup> July 17, 2006 Memorandum from James B. Hendrickson, City Manager, to Mayor and City Council entitled "Re-Enactment of Fire & Paramedic Services Special Tax."

funding enhancements in the delivery of services in response to continually changing demands and technology, and having the sustainable resources for both infrastructure maintenance and improvements, and (2) causing on-going ballot revenue measures, necessitating two-thirds voter approval, to pay the cost maintaining service levels and infrastructure improvements. The first revenue measures approved by voters were approved in 1980 and renewed continually on a four-year cycle. In 1990, the City Council decided to consider a more permanent source of operational funding, and at the recommendation of a Special Citizens' Advisory Committee, property owners voted in 1991 to approve a Fire Suppression Benefit Assessment District. The District was created for a five year period, to June 30, 1996, to cover 100% of the cost of fire services.

Proposition 218 was approved by California voters in 1996. It was a constitutional amendment that limited the methods available to a local government for creating and increasing taxes, fees and charges. In summary, Proposition 218 requires two-thirds voter approval prior to the imposition or increase in general taxes, assessments, and certain user fees. For Palos Verdes Estates, Proposition 218 requires that two-thirds of the voters voting approve the renewal of the existing special tax that currently funds fire and paramedic services in the community.

## **DISCUSSION**

Consistent with the process employed for the last two successful tax measures for fire and paramedic services that were approved by over 80% of voters, the City will be convening a citizen committee to evaluate the funding options for covering the County's services. In turn, the committee will be tasked to develop and recommend a ballot measure for the City Council's consideration. In doing so, the committee will be subject to the attached memorandum regarding the political activity.

The committee is envisioned to begin meeting in late August / early September and conclude in late October/early November. In November, the City Council will consider the necessary Resolutions to place a measure on the March 2017 ballot. The meetings, open to the public, are anticipated to be scheduled every three-to-four weeks. Materials will be posted on the City's website, agendas will be posted, and residents subscribed to the City's listserv will receive meeting notices. The committee will be given the "charge" and purpose to:

- Assess the City's current and future financial position and make recommendations on the best means and mechanism(s) to ensure the City's continued fiscal viability, particularly the continued financing of the fire and paramedic contract with Los Angeles County.
- Provide a written report to the City Council no later than November 8, 2016 with recommendation(s) on financing mechanism(s), including the amount of money to be derived, and the duration of any tax or fee, to fund the fire and paramedic cost for service for approval of a Resolution establishing a ballot measure.
- Prepare public information to educate the community about the City Council approved finance mechanism(s), if the mechanism(s) requires the approval of voters at the March 7, 2017 General Municipal Election.

The committee, as noted above, will be focused on the funding mechanism for fire and paramedic services, and specifically the ballot measure that reinstates the formula for

calculating the special parcel tax. The committee will not have the task to evaluate the contract service provider (Los Angeles County Fire Department) or Los Angeles County's cost of providing services to Palos Verdes Estates. Both are separate, independent matters that could be considered at any time and there is currently insufficient time for both a comprehensive evaluation and scheduling a ballot measure for March 2017. Moreover, the formula for assessing fire and paramedic costs is self-adjusting as the contract cost is reduced or increased over time. If/when a more cost effective alternative to the Los Angeles County Fire Department might become available, the formula will allow for an adjustment in fees assessed to property owners. Simply for reference related to costs, because questions arise from time to time about costs irrespective of the funding methodology, attached is a cursory cost comparison of a few Fire Departments.

As directed by the City Council, with the input of the Mayor and Mayor Pro Tem, the City Manager has selected the following residents to serve as the citizen committee. The committee members are intended to be inclusive of many community interests and affiliations. Given the importance of both the committee and tax measure, value of continuity, and new City personnel since 2006/07, Ron Buss who chaired the committee in 2006 has again agreed to be chairperson. The committee will consist of twelve residents. Residents who have consented to serve are as follows:

- |                     |             |
|---------------------|-------------|
| a) Ron Buss (Chair) | Lunada Bay  |
| b) Tom Connaghan    | Lunada Bay  |
| c) Kristin Curren   | Valmonte    |
| d) Robin DeBaal     | Lunada Bay  |
| e) Amy Friedman     | Montemalaga |
| f) Valerie Gorsuch  | Malaga Cove |
| g) Helaine Lopes    | Valmonte    |
| h) Clark Margolf    | Lunada Bay  |
| i) Ellen Perkins    | Lunada Bay  |
| j) Lynn Solomita    | Malaga Cove |
| k) William Um       | Malaga Cove |
| l) David Wagman     | Montemalaga |

The primary staff supporting the committee will be the Finance Director and City Manager.

### **FISCAL IMPACT**

The City's operating budget (General Fund) inclusive of its contract with Los Angeles County totals \$17,736,594 for fiscal year (FY) 2016-17. Fire and paramedic services represent \$4,703,818 (26.5%) and police services account for \$7,124,549 (40%) of the total. Together, public safety accounts for \$11,828,367 of the operating budget (66.6%). The remaining \$5,908,227 (33.3%) covers the municipal services consisting of the Finance, Planning, Building & Safety, Human Resources, City Clerk, Information Technology, Public Works, and various other administrative functions. As such, the City relies significantly on the tax for providing this essential service. The tax is calculated annually by a specialized firm based on a formula to match the annual expenditure. The proceeds of the tax are deposited into a dedicated account established for the single purpose of covering the contract cost, and the Fund is audited annually by the City's external auditor.

The City's cost associated with the committee explained herein will be negligible, primarily consisting of time and materials in support of providing information and developing the final report. The City's cost for the General Municipal Election is estimated to be approximately \$45,000, and the election will also include two seats on the City Council and the position of Treasurer.

**NOTIFICATION**

This item is included on the City Council agenda, noticed in accordance with standard practices and procedures. The members of the citizen committee and Fire Department were provided a copy of this report. A representative of the Fire Department will be in attendance at the meeting.

**ALTERNATIVES**

City Council input is welcome. This is an information report so the alternatives available to the City Council are to:

1. "Receive and file"
2. Request further information
3. Provide alternative and /or added direction to staff

**CONCLUSION/RECOMMENDATION**

Renewal of the fire and paramedic tax results in providing Palos Verdes Estates with the fiscal resources for the public safety and the administrative services of the Los Angeles County Fire Department that would otherwise be a significant impact on the City's General Fund. The election is important for voters to exercise their will in deciding the fate of this critical City service. As such, the purpose of the citizen committee to evaluate the funding and address a ballot measure is important. Staff looks forward and appreciates the opportunity to work with the committee and their dedication and commitment to bring forward a recommendation to the City Council.

**ATTACHMENTS:**

- A – Campaign Restrictions applicable to City officials and employees
- B – 2007 ballot measure
- C – Meeting Schedule
- D – Informational charts and figures pertaining to fire and paramedic services
- E – Comparative information
- F – NBS Audit Report