



City of Palos Verdes Estates
Fire and Paramedic Services Special Tax
Auditor's Report
Fiscal Year 2016/17

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**CITY OF PALOS VERDES ESTATES
FIRE AND PARAMEDIC SERVICES SPECIAL TAX**

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1. SIGNATURE TRANSMITTAL PAGE

**Auditor's Report
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Fiscal Year 2016/17**

The undersigned, acting on behalf of NBS Government Finance Group, DBA NBS ("NBS"), respectfully submits the enclosed report as directed by the City Council.

Dated: May 27, 2016

By: 
Brian Thomas
R.C.E. No. 60907



I HEREBY CERTIFY that the enclosed Auditor's Report, together with Tax Roll thereto attached was filed with me on the ____ day of _____, 2016.

City Clerk
City of Palos Verdes Estates
Los Angeles County, California

By: _____

I HEREBY CERTIFY that the enclosed Auditor's Report, together with Tax Roll thereto attached was approved and confirmed by the City Council of the City of Palos Verdes Estates, California, on the ____ day of _____, 2016.

City Clerk
City of Palos Verdes Estates
Los Angeles County, California

By: _____

2. INTRODUCTION

The purpose of the Special Tax is to fund fire and paramedic services for the City of Palos Verdes Estates (the "City") as contracted with the Los Angeles County Fire Department. The enabling legislation for the Special Tax is found in the California Government Code commencing with Section 50075 (the "Code"). On March 6, 2007, by over a two-thirds majority, the voters approved the establishment of the City of Palos Verdes Estates Fire and Paramedic Services Special Tax.

Voters approved the Rate and Method of Apportionment and the maximum amount to be levied over a period of ten (10) fiscal years, starting in Fiscal Year 2007/08. The purpose of this report is to establish the tax rates for Fiscal Year 2016/17, in accordance with the methodology set forth in the Rate and Method of Apportionment. The City has retained NBS, to prepare this Auditor's Report.

2.1. Estimate of Revenues Generated

The total estimated revenue to be generated from the Fire and Paramedic Services Special Tax for Fiscal Year 2016/17 is \$4,703,607.44.

2.2. Cost Estimate for Fiscal Year 2016/17

According to the Rate and Method of Apportionment authorized by Ordinance No. 677, the Special Tax rate for any fiscal year is set at an amount sufficient to pay the costs of services covered by the Special Tax, which include: i) costs for fire and paramedic services and ii) administrative expenses. If the permitted Special Tax rate does not generate revenue sufficient to cover these costs, a contribution from the Fire and Paramedic Services Special Tax Operating Fund or other supplemental funding is required.

Sources and Uses of Funds	Estimated Budget for Fiscal Year 2016/17	Actual Budget for Fiscal Year 2015/16
Fire and Paramedic Services Estimated Costs	\$4,659,578	\$4,552,384
Special Tax Administration Costs	5,090	5,059
Subtotal:	\$4,664,668	\$4,557,443
Contribution to Fire and Paramedic Services Special Tax Operating Fund	38,939	15,974
Total Revenue Generated from Special Tax:	\$4,703,607	\$4,573,417

3. RATE AND METHOD OF APPORTIONMENT OF SPECIAL TAX

3.1. Special Tax Formula

This section of the report describes the Rate and Method of Apportionment of the Special Tax that distributes the cost of fire and paramedic special services to each lot or parcel based upon the type of use of each property and its risk classification. The basis of the Special Tax was developed based upon information provided by the City, information from the Los Angeles County Fire Department, and the requirements of California Government Code Section 50075.

Under the provisions of the Code, a Special Tax does not necessarily need to demonstrate an immediate benefit upon a parcel of property. However, this Special Tax formula equitably apportions the costs of providing fire and paramedic services to the properties within the City. The Special Tax considers the actual benefits received by a parcel or the projected costs of protecting a certain type of parcel and related improvement, if any.

The Special Tax rates are based on the size of the structure improvements, land area and risk classifications of the structure. The risk classification may include the amount of water required for fire suppression, the structure size, and type of construction and use of the structure. The most pertinent variable for calculation of the Special Tax is the structure size, which is directly related to other variables. The larger improvements have more value, and therefore have greater risk and receive more benefit from fire suppression services. There is also more equipment and firefighter time involved, as well as greater amounts of water used, for larger structures.

LAND USE CLASSIFICATION

The Special Tax rates that are applied to each parcel do not differ by land use classification. However, all parcels are assigned a land-use classification based upon their respective use code assigned by the Los Angeles County Assessor's Office.

- **Residential Parcels** – Residential parcels, including single family and multi-family uses, are taxed by area of improvements on the parcel. Area of improvement is defined as total living area, as shown in the County Assessor's database and confirmed by the City's building permit department as of July 1 of each year.
- **Commercial Parcels** – Commercial parcels are also assessed by area of improvements on the parcel. Based on information from the Los Angeles County Fire Department, the relative risk per square foot of commercial properties is equivalent to that of residential properties. Area of improvement is defined as total building area, as shown in the County Assessor's database and confirmed by the City's building permit department as of July 1 of each year.
- **Exempt Parcels** – Exempt parcels are all parcels that are exempt from ad valorem taxes as allowed by current law such as parcels qualifying for a religious property exemption, utility transmission, and government owned parcels.

Additionally, all parcels receive benefit from fire suppression services, regardless of the type of property or size of the improvement on that property. This benefit is a standby availability benefit, which allows a property to obtain reasonable insurance rates and increases the desirability of a property due to the proximity of firefighting equipment and staff. Therefore, every eligible parcel within the City, whether developed or undeveloped, is assessed a base amount for the standby availability benefit.

MAXIMUM SPECIAL TAX

A parcel's annual Special Tax amount may change from year to year, depending on the parcel's then-current land use and development thereon. However, a parcel may not be levied at an amount greater than the applicable Maximum Special Tax as established by the Rate and Method of Apportionment.

The Special Tax included a maximum annual four and two tenths percent (4.2%) escalator each fiscal year from Fiscal Year 2008/09 through 2011/12, and a maximum annual six and two tenths percent (6.2%) escalator each fiscal year from Fiscal Year 2012/13 through 2016/17. The escalator is approved annually by City Council pursuant to the cost of the Los Angeles County fire and paramedic services contract. The historical Maximum Special Tax rates are shown below.

Fiscal Year	Escalation Factor	Base Amount (Maximum Rate per Parcel)	Improvement Amount (Maximum Rate per Building SF)
2007/08	--	\$250.41	\$0.143422
2008/09	4.20%	260.92	0.149445
2009/10	4.20%	271.88	0.155722
2010/11	4.20%	283.30	0.162262
2011/12	4.20%	295.20	0.169077
2012/13	6.20%	313.50	0.179560
2013/14	6.20%	332.94	0.190693
2014/15	6.20%	353.58	0.202516
2015/16	6.20%	375.50	0.215072
2016/17	6.20%	398.79	0.228406

The percentage increase in the Special Tax in any fiscal year to the next shall not exceed the percentage increase in the amount to be paid by the City to the Fire District for such fiscal year. For Fiscal Year 2016/17, the Los Angeles County Fire Department has estimated an increase of 2.35% from Fiscal Year 2015/16, which is below the maximum annual increase allowed in Fiscal Year 2016/17.

3.2. Special Tax Levy for Fiscal Year 2016/17

The applied Special Tax rates for Fiscal Year 2016/17 were increased by 2.35% from Fiscal Year 2015/16. A summary of parcel information relative to the Special Tax is shown below. This information is based upon the records of the Los Angeles County Assessor. "Parcel" means any Los Angeles County Assessor's Parcel that is within the boundaries of the City, based on the equalized tax rolls of the County.

Land Use	Parcel Count	Building SF	Base Amount (Rate per Parcel) FY 2016/17	Improvement Amount (Rate per Bldg. Sq. Ft.) FY 2016/17	Total Projected Special Tax FY 2016/17 (1)
Single Family Homes	4,925	15,291,078	\$328.16	\$0.187952	\$4,490,176.77
Condo/Multi-Family Residential	172	427,053	328.16	0.187952	136,709.08
Commercial	28	242,466	328.16	0.187952	54,760.46
Vacant (Undeveloped) Parcel	67	0	328.16	0.000000	21,986.72
Totals	5,192	15,960,597	\$328.16	\$0.187952	\$4,703,633.03

- (1) The Projected Special Tax Levy for Fiscal Year 2016/17 is based upon the current projection provided by the Los Angeles County Fire Department. The actual levy amount is subject to change once the final costs are received by Los Angeles County Fire Department and once the secured roll is finalized by Los Angeles County. The amounts do not include rounding adjustments totaling \$25.59.

4. PROCEDURAL INFORMATION

4.1. Duration of Special Tax

The duration of the Fire and Paramedic Services Special Tax is ten (10) years. The Special Tax levy has been levied annually since Fiscal Year 2007/08 and will sunset after Fiscal Year 2016/17. Fiscal Year means the period starting on July 1 and ending the following June 30.

4.2. Schedule of Special Tax

An annual Auditor's Report including the Special Tax roll will be submitted to the City Council for consideration on or around July 1st of each year as part of the annual budget process. At that time the Special Tax rates will be included in the budget for the ensuing fiscal year. The Special Tax will be collected with the property taxes on the annual County property tax bill.

4.3. Special Tax Fund Account

The proceeds from the Special Tax will be utilized for fire and paramedics services as outlined in this report and will be deposited into the Fire and Paramedic Services Special Tax Operating Fund.

4.4. Appeal Procedure

The data utilized in developing the Special Tax rate calculations has been taken from the Los Angeles County Assessor's Roll, as confirmed by the City. Building area means the total living area, based upon the records of the Los Angeles County Assessor, as of March 1 preceding such July 1 of the current fiscal year. If a property owner believes there is a discrepancy regarding the classification of their respective parcel or parcels, the owner should notify the City. If warranted, the City will assist the owner in processing a correction with the County Assessor and Auditor Controller's Offices.

5. SAMPLE SPECIAL TAX CALCULATIONS

The following sample calculations show the proposed Special Taxes for Fiscal Year 2016/17.

Improvement Area and Projected Special Tax	Special Tax FY 2015/16	Special Tax FY 2016/17
Improvement Area = 2,450 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 449.91 \$770.53	 \$328.16 460.48 \$788.64
Improvement Area = 2,595 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 476.54 \$797.16	 \$328.16 487.74 \$815.90
Improvement Area = 3,000 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 550.91 \$871.53	 \$328.16 563.86 \$892.02
Improvement Area = 4,000 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 734.55 1,055.17	 \$328.16 751.81 \$1,079.97
Improvement Area = 8,000 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 1,469.10 \$1,789.72	 \$328.16 1,503.62 \$1,831.78
Improvement Area = 12,000 SF Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 2,203.64 \$2,524.26	 \$328.16 2,255.42 \$2,583.58
Vacant Parcel Any Size Vacant Lot Per Parcel Special Tax: Square Foot Special Tax: Total:	 \$320.62 0.00 \$320.62	 \$328.16 0.00 \$328.16