



CITY OF PALOS VERDES ESTATES

FIRE AND PARAMEDIC SPECIAL PARCEL TAX

MUNICIPAL ELECTION MARCH 7, 2017

FACT SHEET 4

Budget and Allocations

For Information,
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The existing and proposed parcel tax is calculated annually based on a formula that generates an amount equal to the annual contract expenditure for service. The proceeds of the tax are deposited into a dedicated account established for the single purpose of covering the fire and paramedic services, and the funds are audited annually by the City's external auditor.

The formula distributes the annual contract cost for service among properties; the City contracts with a specialized firm (NBS) that allocates and updates the formula and distribution of costs to match the annual expenditures. Specifically, the formula utilizes a flat-rate per parcel plus an additional amount based on each square foot of improvement on the property. Annual updates are based solely on the percentage change in the LACoFD budget.

The funds collected from the parcel tax cannot be used for other purposes, and multiple levels of review preclude the parcel tax from being used for any purpose other than fire and paramedic services.

The parcel tax proceeds are deposited into a special account established for the single, dedicated purpose of covering the cost of fire and paramedic services. The fund is audited annually by the City's external auditor. The fund is also reviewed and adjusted every year by a specialized firm (NBS) that calculates the tax levy; NBS audits the cost of services in comparison to taxes received and necessary to cover the cost of the fire and paramedic service. NBS provides a second independent external review of the fund to validate the accountability of the parcel tax proceeds. Furthermore, and required by the previous and proposed ballot measure, the levy must be reviewed and approved annually by the City Council at a publicly noticed meeting before the annual assessment can be placed on the tax roll. Finally, through the approval of payment warrants at each City Council meeting, the City Council reviews and approves all City expenditures.

The City reserve is currently approximately \$9.7 million, or enough to operate the City for six months. In the short term, the City will rely on a combination of General Fund reserves, operational budget savings, deferring capital projects and / or increases in fees to maintain fire and paramedic services. Because a new ballot measure could not be placed before voters until

April 2018 resulting in parcel tax revenue beginning December 2018, the out-of-pocket cost to the City would be \$7 million.

For the long term, if voters do not support funding fire and paramedic services with a parcel tax, the City would maintain fire and paramedic services by initially relying on funds held in the General Fund reserve. The City Council would consider budget and service reductions and fees to maintain a balanced budget. According to the LA County Fire Department (LACoFD), the City would not be able to renegotiate lower levels of service or staffing¹ because a reduction will not comply with County response standards. Other sources for fire and paramedic services are also more costly²; the following is illustrative of possible budget reductions and service level impacts:

Examples of general budget reductions without parcel tax revenue

	Current City Budget	Budget without Parcel Tax³	Description of Change	Notes
Operating Revenue	\$17.6 million	\$12.9 million⁴	Parcel tax for fire and paramedic services no longer received by City	Based on FY 16/17 budget
Operating Expenses				
Police Department	\$7.1 million	\$3.6 ⁵ to \$4.3 ⁶ million	Contract cost for Los Angeles County Sheriff Services	A reduction or the elimination of in-house police services is an option; preliminarily, it does not appear to be feasible for maintaining functionality. Budget cutbacks would also be implemented to cover the City's on-going pension liability.
Fire Department	\$4.7 million	\$4.7 million	Maintains contract with LACoFD.	LACoFD will not accept a reduction in contract staffing. Utilizing in-house services or a different provider is projected to be costlier (per Footnote 1 and 2).
Planning & Public Works Departments	\$3.8 million	\$2.9 million	Reductions in planning, street/parks maintenance, and capital improvement programs and response times.	This would result in lessened Municipal Code enforcement, streets/parks maintenance services and capital projects as well as increased permit and application processing time. Staffing, public service hours and / or contract services would be affected.
Finance and City Administration Departments	\$2.0 million	\$1.0 million	Cutbacks in customer service, finance operations, records management and general administration.	A reduction in positions and services in the areas of communications (e.g., community relations, newsletters, special events, etc.), risk management, accounting, employee training, public service, and administration.
Total Operating Expenses	\$17.6 million	\$12.9 million		

Footnotes 1 – 6 can be found at (<http://www.pvestates.org/services/fire-and-paramedic-department>).