



MEMORANDUM

Agenda Item No. 11
Meeting Date: 11-14-00

TO: MAYOR AND CITY COUNCIL
FROM: JAMES B. HENDRICKSON, CITY MANAGER
SUBJECT: SUBMITTAL OF SPECIAL (PARCEL) TAX TO VOTERS AT MARCH 6, 2001, GENERAL MUNICIPAL ELECTION
DATE: NOVEMBER 1, 2000

The Issue

Shall the City council adopt Resolution R00-56, which orders the submission to the voters a special (parcel) tax measure which would cover the annual costs of fire and paramedic services at the General Municipal Election to be held on March 6, 2001?

Background

At its meeting on September 26, 2000, the City Council unanimously endorsed the recommendation of the Citizens' Financial Advisory Committee as presented in its report on "Long-Term Financing Options for Fire and Paramedic Services". The CFAC recommended that the Council place a special tax measure for voter approval on the March 6, 2001 Municipal Election ballot to cover the full cost of fire and paramedic services, as similar to the method we now employ under the Fire Suppression Benefit Assessment District (which expires on June 30, 2001).

Since then, the City engaged the services of Berryman & Henigar to develop the spread of the tax to the various categories of property: single-family residential, multi-family residential, commercial and vacant. They presented some additional options to the formula now utilized – varying the flat standby availability charge, as well as the levy for each square foot of building. These were reviewed in detail by the CFAC on October 30, 2000.

The Committee concluded that the best formula was the one now utilized, increased by 6.5% to cover the anticipated increase in the Los Angeles County Fire Contract cost for FY 2002. Thus, the charges to each property owner would be as follows.....

- Standby availability charge.....\$197.06
- Rate per square foot of building improvements...\$ 0.112864

The anticipated levy on a median-sized home in the City (2,450), an average-sized home (2,750 sq. ft.), and other typical examples of multi-family and commercial properties is delineated in the attached "Fire and Paramedic Services Special Tax Report".

The Citizens' Committee recommended that the special tax carry a sunset clause of 6 years – to be re-submitted to the voters at the General Municipal Election in March 2007. In addition, the Committee recommends that the tax provide for a maximum allowable increase of 6.5% per year. They concluded this was necessary after reviewing the attached report re: "Annual Escalator for Fire and Paramedic Services Special Tax."

The City has very little control over the cost of its contract with the Los Angeles County Fire Department. We were successful in negotiating a cap of a maximum annual increase of 6.5% in the contract during the first 5 years (FY 1997 through FY 2001); and the contract contains the following provision for the next 5 years, "For each subsequent fiscal year beginning July 1, 2001, the Annual Fee Limitation shall be the average of the immediately preceding 5 years' actual annual fee percentage increase plus 1%.

Exhibit B of the Report shows the net revenue that would be derived over the next 6 years compared to the gross contract cost and calculates the "leakage". As you can see, we experience an annual shortfall between the net revenues derived and the gross contract cost (beginning at-- \$92,421 in FY 2002 and growing to-- \$126,410 in FY 2007). We began the current fiscal year with a fund balance of \$529,418. Based on these assumptions, we anticipate a total shortfall of ~\$105,000 through FY 2007. This would have to be paid from the General Fund. However, we believe this loss can be sustained fairly easily.

It should be pointed out that the FSBAD had a maximum allowable increase of 7.9% per year during the first 5 years it was in effect (FY 1992-FY 1996); and a 6.5% maximum allowable increase per year for the next 5 years (FY 1997-FY 2001). In neither case did the City levy the maximum permitted during the 5-year periods.

Alternatives Available to Council

1. Adopt Resolution R00-56, which orders the submission to the voters a special (parcel) tax measure which would cover the annual costs of fire and paramedic services at the General Municipal Election to be held on March 6, 2001. This action would be consistent with the recommendation of the CFAC, and would provide the City a vehicle to cover the costs of its fire service contract with Los Angeles County Fire. These are expected to amount to \$2.65 million in FY 2002, or approximately 25% of the City's Annual Operating Budget.
2. Adopt Resolution R00-56, as modified. Any changes would be as elaborated by the Council.
3. Do not adopt Resolution R00-56. This would leave the City with a "hole" of ~\$2.65 million in its FY 2002 budget, due to the expiration of the FSBAD on June 30, 2001. The Council would have to determine how it wished to address this.

Conclusion and Recommendation

It is recommended the City Council adopt Resolution R00-56, ordering the submission to the qualified electors of the City of a certain measure relating to a special parcel tax for fire and paramedic services at the General Municipal Election to be held on Tuesday, March 6, 2001, as called by Resolution R00-48.

Budget Impact

If adopted by 2/3rds of the voters at the General Municipal Election on March 6, 2001, the special tax for fire and paramedic services will provide a mechanism to cover the cost of these services for the next 6 years. Failing this, the City will face a 25% shortfall in its annual operating budget beginning in FY 2002.

JBH:s
Attachments

RESOLUTION R00-56

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PALOS VERDES
ESTATES, CALIFORNIA, ORDERING THE SUBMISSION TO THE
QUALIFIED ELECTORS OF THE CITY OF A CERTAIN MEASURE
RELATING TO A SPECIAL TAX FOR FIRE AND PARAMEDIC SERVICES AT
THE GENERAL MUNICIPAL ELECTION TO BE HELD ON TUESDAY,
MARCH 6, 2001, AS CALLED BY RESOLUTION R00-48**

WHEREAS, a General Municipal election on Tuesday, March 6, 2001 has been called by Resolution No. R00-48, adopted on October 24, 2000, and

WHEREAS, the City Council also desires to submit to the voters at the election a question relating to a special tax for fire and paramedic services;

NOW THEREFORE, the City Council of the City of Palos Verdes Estates, California, does hereby resolve as follows:

SECTION 1. That the City Council, pursuant to its right and authority, does order submitted to the voters at the General Municipal Election of March 6, 2001 the following question:

Shall an ordinance be adopted to levy a special tax on each eligible parcel in the City to replace the current Fire Suppression Benefit Assessment and to continue funding the present level of fire and paramedic services, with such tax to expire on June 30, 2007?	YES	
	NO	

SECTION 2. The proposed measure submitted to the voters is attached as Exhibit A.

SECTION 3. That in all particulars not recited in this resolution, the election shall be held and conducted as provided by law for holding municipal elections.

SECTION 4. That notice of the time and place of holding the election is given and the City Clerk is authorized, instructed and directed to give further or additional notice, in time, form and manner as required by law.

SECTION 5. The City Clerk shall certify to the passage of this resolution.

PASSED, APPROVED AND ADOPTED this 14th day of November, 2000.

CHAD R. TURNER, MAYOR

APPROVED AS TO FORM:

STEPHANIE R. SCHER, CITY ATTORNEY

ATTEST:

JUDY SMITH, CITY CLERK

EXHIBIT A

AN ORDINANCE OF THE CITY OF PALOS VERDES ESTATES, CALIFORNIA, LEVYING A FIRE AND PARAMEDIC SERVICES SPECIAL TAX AND INCREASING THE CITY OF PALOS VERDES ESTATES SPENDING LIMITS PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION BY THE AUTHORIZED AMOUNT OF THE FIRE AND PARAMEDIC SERVICES SPECIAL TAX

The People of the City of Palos Verdes Estates hereby ordain as follows:

SECTION 1. Imposition of Tax. Pursuant to the authority of Section 4 of Article XIII-A of the California Constitution, there is hereby levied and assess a fire and paramedic services special tax by the City of Palos Verdes Estates on each parcel of property with the City of Palos Verdes Estates for each of the six fiscal years commencing with fiscal year 2001-2002 and ending with fiscal year 2006-2007. For purposes of this ordinance a "parcel of property" shall mean any contiguous unit of improved or unimproved real property held in separate ownership, including, but not limited to any vacant property, commercial property, single family residence, any condominium unit as defined in California Civil Code Section 783, or any other unit of real property subject to the California Subdivided Lands Act (Business and Professions Code Sections 11000 *et seq.*).

SECTION 2. Use of Revenue.

(a) The purpose of this ordinance is to raise revenue only for the purposes of obtaining, providing, operating and maintaining fire suppression and paramedic services and equipment, for paying the salaries and benefits to firefighting and paramedic personnel, and for such other necessary fire protection and prevention expenses and paramedic expenses of the City of Palos Verdes Estates as such services shall be made available throughout the entire City. In particular, as of the effective date of this ordinance, such services are provided to the City of Palos Verdes Estates by the Consolidated Fire Protection District of Los Angeles County (the "Fire District") under that agreement entitled Amendment Number One to the Annexation Agreement Between the City of Palos Verdes Estates and the Consolidated Fire Protection District of Los Angeles County (the "Fire Services Agreement"), and it is the purpose of this ordinance to raise revenue to pay all costs, charges and fees of the City of Palos Verdes Estates under such Agreement for such time as such Agreement remains in effect, and to provide for an equivalent level of fire and paramedic services through other means should such Agreement terminate or expire.

(b) The proceeds from this ordinance shall be used only for the purposes identified in subsection (a) of this Section.

(c) Upon the effective date of this ordinance, the City Finance Director shall create a separate account into which all revenue raised by this ordinance shall be placed.

(d) The City's Finance Director shall file a report with the City Council no later than January 1, 2002, and at least once a year thereafter which shall contain both of the following: (i) the amount of funds collected and expended under this ordinance; and (ii) the status of any project required or authorized to be funded to carry out the purposes set forth in subsection (a) of this Section 2.

SECTION 3. Calculation of Amount.

(a) The tax imposed by this Ordinance shall be a tax upon each parcel of property and the tax shall not be measured by the value of the property.

(b) For fiscal year 2001-2002, the maximum annual amount of said fire and paramedic services special tax shall be determined for each parcel of property by calculating the following sum: to the amount of One Hundred Ninety Seven Dollars and Six Cents (\$197.06) (the "Base Amount") for each lot within such parcel of property shall be added \$00.112864 (the "Improvement Amount") for each square foot of building improvements located on such parcel of property as of January 1, 2001.

(c) For each fiscal year after fiscal year 2001-2002, the maximum annual amount of said fire and paramedic services special tax for each parcel of property shall be determined by adding the Base Amount for each lot within such parcel of property to the Improvement Amount multiplied by the number of square feet of building improvements, as such lots and improvements exist as of January 1 of the year preceding that fiscal year. In addition, in each fiscal year after fiscal year 2001-2002, the City Council, by at least three (3) affirmative votes, may increase the Base Amount and Improvement Amount up to Six and One-Half Percent (6.5%) above the rate for such Amount established in the previous fiscal year, said percentage increase being the authorized inflation factor permitted under the Fire Services Agreement. Notwithstanding the foregoing, at all times that the Fire Services Agreement remains in effect, the percentage increase in the tax imposed under this ordinance from one fiscal year to the next shall not exceed the percentage increase in the amount to be paid by the City of Palos Verdes Estates to the Fire District under such Agreement for such fiscal year.

SECTION 4. Determination of Lots and Building Improvements. The records of the City of Palos Verdes Estates shall be utilized to determine the number of lots within any parcel of property. The records of the Los Angeles County Assessor shall be used to determine the amount of building improvement located on a parcel of property, provided, however, that the records of the City of Palos Verdes Estates Building Department may be utilized as necessary should there be a discrepancy between the records of the Los Angeles County Assessor and the actual amount of building improvement on a parcel of property.

SECTION 5. Exempt Property. The fire and paramedic services special tax shall not be imposed upon a federal or state governmental agency, any local public agency, or any parcel of property which is exempt from ad valorem taxes by any other applicable law.

SECTION 6. Time and Method of Payment of Special Tax.

(a) The fire and paramedic services special tax shall be due in two equal installments in accordance with the collection procedures of the Los Angeles County Tax Collector, and shall be collected in the same manner, subject to the same penalties and interest, and on the same applicable dates as established by law for the due dates for the other charges and taxes fixed and collected by the County of Los Angeles on behalf of the City of Palos Verdes Estates. The County of Los Angeles may deduct its reasonable costs incurred for such services before remittal of the balance to the City of Palos Verdes Estates.

(b) The fire and paramedic services special tax, together with all penalties and interest thereon, shall constitute a lien upon the parcel of property upon which it is levied until it has been paid, and said special tax, together with all penalties and interest thereon, shall, until paid, constitute a personal obligation to the City of Palos Verdes Estates by the person(s) who own the parcel of property on the date said special tax is due.

SECTION 7. Administration of Tax. The City Council by not less than three (3) affirmative votes, is empowered:

- (a) to establish the amount of the fire and paramedic services special tax levy annually each fiscal year in amounts not to exceed the maximum amounts specified in Section 3 of this ordinance as is required to provide an adequate level of fire and paramedic service in the City in accord with the purposes set forth in this ordinance;
- (b) to sit as a Board of Equalization under procedures to be adopted by the City Council to equalize inequities and reduce hardships created by the literal application of this ordinance, and such shall be deemed an administrative remedy;
- (c) to annually provide an official Assessment Book designating the actual tax levy on each parcel of property and to place the same on file in the office of the City Clerk. In connection therewith, in those instances where building improvements are located on more than one lot within a parcel of property, the City Council may designate a single one of such lots as the lot upon such building improvements shall be considered to be located for purposes of administering this ordinance;
- (d) to amend this ordinance as necessary to permit the Los Angeles County Tax Collector or any other duly designated public official to collect a special tax such as is levied by this ordinance in conjunction with other County taxes, or in order to assign duties established by this ordinance to other officers as otherwise permitted by law, or to modify procedures required by this ordinance, for the sole purpose of levying and/or collecting a special tax in an amount not to exceed that permitted by Section 3 of this ordinance to be used solely for the purposes permitted by Section 2 of this ordinance.

SECTION 8. Appropriations Limit Increased. Pursuant to Article XIII B of the California Constitution, the appropriations limit for the City of Palos Verdes Estates shall be increased by the maximum projected aggregate collection authorized by levy of this fire and paramedic services

special tax, as determined by Section 3 of this ordinance, in each of the years in which this ordinance remains in effect plus the amount, if any, by which the appropriations limit is decreased by law as a result of the assessment of the fire and paramedic services special tax set forth in this ordinance.

SECTION 9. Unexpended Revenue. The unexpended residue of any money raised by the City under this ordinance may only be (i) used in the succeeding year for the purposes stated in this ordinance by lowering the next year's tax by the amount unexpended, or (ii) returned to the taxpayers on the same pro rata basis as originally levied.

SECTION 10. Severance Provisions. If any provision(s) of this ordinance or the application thereof to any person or circumstances is held invalid or unconstitutional by any court of competent jurisdiction, such invalidity or unconstitutionality shall not affect any other provision or application, and to this end the provisions of this ordinance are declared to be severable. The City Council and the electorate by referendum do hereby declare that they would have adopted this ordinance and each section, subsection, sentence, clause, phrase, part or portion thereof, irrespective of the fact that any one or more sections, subsections, clauses, phrases, parts or portions thereof be declared invalid or unconstitutional.

SECTION 11. Effective Date. This ordinance shall be effective only if approved by two-thirds (2/3) of the voters voting at an election to be held on March 6, 2001, and shall go into effect only at such time as the City Council has, in accord with the procedures required by law, declared that the initiative measure to be voted on at said election was approved by two-thirds (2/3) of the voters voting thereon. Upon becoming effective, this ordinance may only be amended or repealed by approval of two-thirds (2/3) of the voters voting on such amendment or repeal at a duly called initiative or referendum election.

SECTION 12. Termination Date. This ordinance shall be null and void as of midnight, June 30, 2007, and shall have no force and effect whatsoever after said time and date, provided, however, that the provisions of this ordinance relating to the collection of the fire and paramedic services special tax and/or the enforcement of any liens or obligations resulting therefore shall continue in effect until such time as the collection and enforcement procedures for a tax imposed hereunder (for fiscal years 2001-2002 through 2006-2007) have been completed.