



CITY OF
Palos Verdes Estates

November 15, 2016

Mr. Jim Nyman
2529 Via Olivera
Palos Verdes Estates, CA 90274

VIA EMAIL & U.S. MAIL

Dear Mr. Nyman:

Thank you for your emails and letters concerning the ballot measure for funding community fire and paramedic services that will be presented to voters in March 2017. I am writing to acknowledge that your emails have been received by City Council members and staff, and to additionally provide information in regard to the comparative costs for fire and paramedic services, funding sources and options, City budget, and tax audits. We appreciate your commitment and interest in ensuring fire and paramedic services in the community and hope this response provides additional clarity and detail.

The City of Palos Verdes Estates operated a Fire Department until 1986 when Proposition 13 property tax cuts became too severe to fund fire and paramedics service in the community. In May 1986, the City closed its Fire Department and entered into a contract with the Consolidated Fire Protection District of Los Angeles County to provide fire protection, paramedic services, and the enforcement of the Fire Code. The City's contract with Los Angeles County was subsequently amended in 2006. The contract is evergreen; in other words, recognizing fire and paramedic services are an essential public safety need, the contract is constructed to continue indefinitely unless, with 12-months advance notice to Los Angeles County, it is cancelled.

Over the decades, the City instituted a variety of mechanisms to fund the on-going cost of fire and paramedic services. During the 1980's, voter-approved parcel taxes for police/fire/paramedic and parklands maintenance covered a portion of the costs of these municipal services. In 1991 and then again in 1996, property owners voted their approval of a Fire Suppression Benefit Assessment District (FSBAD) that covered 100% of the cost of the contract with Los Angeles County Fire through 2001. However, with voter approval of Proposition 218 in 1996, the FSBAD could only be used to fund fire protection, not paramedic service. Paramedic service represents 40% of the cost of the fire contract, and was deemed an essential service to continue providing. Therefore, in 2001, after examining long-term financing options, the City placed before voters a ballot measure to fund fire and paramedic services through a special parcel tax. Voters, in turn, overwhelmingly approved the tax (87%) and renewed it again in 2006 for ten years, expiring in June 2017. To continue the funding of fire and paramedic services through the special parcel tax, a ballot measure will be before voters for consideration at the March 7, 2017 general Municipal election.

It has been asked why the City Palos Verdes Estates is different than other cities on the peninsula for funding fire and paramedic services. First, it is because the City was operating its own Fire Department after voters approved Proposition 13; this precludes the existing County Fire District from receiving property taxes from Palos Verdes Estates for fire and paramedic services even though Palos Verdes Estates subsequently eliminated its Fire Department. The City, in turn, has chosen to contract with Los Angeles County for fire and paramedic services. In contrast, property owners in the other three cities on the peninsula, having always been in the County Fire District, contribute a portion of their existing property tax to the County Fire District and automatically receive their services.

Second, the City Palos Verdes Estates is different than other cities on the peninsula for funding fire and paramedic services because the funding in Palos Verdes Estates is determined by a specific, voter approved formula which is designed to only cover fire and paramedic service cost. Property owners in the County Fire District, in contrast, pay for the service based on the assessed value of their property which has no correlation with the cost of services provided by the district

In Palos Verdes Estates, 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 stand-by availability charge plus an additional amount based on for each square foot of improvement on the property. Annual updates are based on the percentage change in the County Fire District budget. The following illustration demonstrates the tax levy:

Property Type:	Single-Family Home	Vacant Land
Structure Size	2,450 SF	0 SF
Base Rate	\$328.16	\$328.16
Improvement Rate	\$0.19	\$0.19
Apply Base Rate	\$328.16	\$328.16
Apply Improvement Rate	2,450 SF x \$0.187952 = \$460.48	0 SF x \$0.187952 = \$0.00
Total Special Tax Amount	\$788.64	\$328.16

$$\begin{array}{ccccccc}
 \text{Base Rate} + \text{Structure Size} \times \text{Improvement Rate} & = & \text{Total Special Tax} \\
 \updownarrow & & \updownarrow & & \updownarrow & & \updownarrow \\
 \$328.16 & + & 2,450 \text{ SF} & \times & \$0.187952 & = & \$788.64
 \end{array}$$

Property owners in the County Fire District pay for fire and paramedic services through their existing property tax payment based on the assessed value of the property. These property owners are subject to the pre-Proposition 13 property tax allocation formula that cannot be changed. As such, property owners in the City of Rancho Palos Verdes, for example, contributed a cumulative total of \$20.2 million in fiscal year 2015/16 to the County Fire District (for their two fire stations) in comparison to \$4.7 million paid by property owners in Palos Verdes Estates (for the one fire station).

The following illustration demonstrates how the post-Proposition 13 assessment levy is applied in cities like Rancho Palos Verdes:

Home Purchased in 1996 in Rancho Palos Verdes 2,300 Square Feet		
Assessed Value		\$523,236
1% Assessed Value	\$	5,232.36
Fire Protection Dist. Assessment (.1819%)		951.77
LA Co Fire Dist. Brush		65.08
Total Assessment	\$	1,016.85

In comparison, using the same example above using the Palos Verdes Estates' tax formula, the property owner will pay a 20% lower levy, excluding brush assessment for a savings of \$191.32 (\$951.77-\$760.45) as illustrated by the following for a Palos Verdes Estates resident.

Property Type:	Single-Family Home
Structure Size	2,300 SF
Base Rate	\$328.16
Improvement Rate	\$0.19
Apply Base Rate	\$328.16
Apply Improvement Rate	2,300 SF x \$0.187952 = \$432.29
Total Special Tax Amount	\$760.45

Third, the allocation of property taxes received by Palos Verdes Estates is not sufficient to cover the \$4.7 million cost fire and paramedic services along with other routine, public safety, and municipal functions and services. The City of Palos Verdes Estates will receive a cumulative total of \$7.8 million in property taxes in fiscal year 2016/17. With other revenue sources, the City has a total of \$12.9 million in revenue for annual operations. Combined with one-time funding for supplementing revenue sources to complete a variety of specific projects, fiscal year 2016/17 operating costs are comprised of \$7.1 million for the Police Department, \$3.8 million for Planning and Public Works functions, and \$2.0 million allocated to Finance and Administration.

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In conclusion, it is important to know that the special parcel tax proceeds are deposited into an 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; while NBS audits the cost of service 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 funds. Furthermore, and required by the previous and proposed ballot measure, the levy must be reviewed and approved annually by the City Council at a publically 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.

Thank you for your interest in the background, calculation, and accounting of the City's funding of fire and paramedic services. We appreciate the opportunity to provide the information herein to explain the measure that will be before voters in March 2017. If you have any further questions, please don't hesitate to call me.

Sincerely,



John Downs
Finance Director

c: Mayor and City Council
City Manager, Anton Dahlerbruch
Chair of Citizen Committee for Funding Fire and Paramedic Services, Ron Buss

Attachments:

Rancho Palos Verdes FY 15/16 Fire District Assessment
City of Rancho Palos Verdes Apportionment of the 1% Property Tax
City of Palos Verdes Estates Apportionment of the 1% Property Tax