

April 2017

Lunada Bay Homeowners Association -Board of Directors

To: City of Palos Verdes Estates

During the run up to the 2017 March Consolidated Municipal Elections, the LBHOA Board of Directors, after much consideration and discussion with both sides of the issue, unanimously voted to endorse Measure D. This measure would have continued an existing parcel tax to provide separate, single-purpose funding to pay for fire and emergency services. To our dismay, Measure D received only 60% approval, short of the required supermajority to pass.

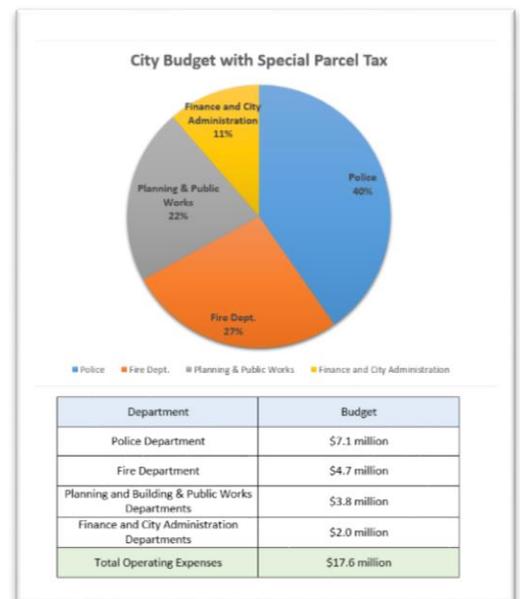
During the campaign, and now after the election, some members of the PVE community continue to put out mailings and social media posts that we believe to be a misinterpretation of facts and misleading to the residents. The LBHOA Board of Directors would like to enter these points on the record:

Comparisons between PVE and RPV or RHE are based on false equivalency

- Residents of PVE choose to live in a city that has inherent budget challenges. Paying for its own police force, reserving >26% of the city for non-revenue generating parkland, and preferring to forego tax revenue from large businesses and hotels are all features that we as residents choose in order to live in an elite community. We urge the City Council to work to restore the ability of the city to maintain the features that have led PVE residents to move to and remain here.

Cutting City spending by attacking the parcel tax is bad government

- Arguments regarding the way the city spends money are appropriately made during the annual budget process. Cuts in specific spending proposals, discussions, options, and a coherent path forward should be made at that time, and would result in an ordered reduction in spending.
- Implications that the shortfall can be made up by tweaking the city budget are unrealistic. Indiscriminant slashing of the budget by 27% will force the city into chaos and uncertainty, will result in a reduction in the city reserves below recommended levels, and is fiscally irresponsible. Where were all these opponents to Measure D when the city budget was being approved last year?



Many anti-Measure D arguments are improper interpretations of fact and/or misleading

- The latest mailing claims that rejection of Measure D saved the residents \$5M. We don't see it that way—the lost funding will result in reduced services and slashing of city reserve fund that took 10 years to build up. That fund is the City savings account, and we see that as our money, which will surely need to be replenished, by either future taxes or even more reduced services.
- The mailings also claim that the city has confirmed that Measure D funds were targeted to police, not just fire and emergency services, presumably because current discussions focus on reduced police force to cover fire funding shortfalls. Of course, this is factually incorrect—the mixing of funding between the fire parcel tax and police derived property tax would have been prohibited by Measure D. But since we no longer have the single-purpose parcel tax funding, all services—fire & paramedics, as well as police--must be paid for from the city's general fund.
- Previous claims that the cost of fire protection is too high, or that the city allocation of property tax is too low are irrelevant; the cost of fire protection is set by the county and consistent with other cities employing fee-for-service contracts, and the allocation of property tax is set by the state through legislation that traces back to 1978's Prop. 13. Neither situation is improved or affected by rejection of Measure D.
- Opponents have claimed that PVE is the only city to have a parcel tax. A simple internet search on "California city parcel tax" will yield many sources that enumerate dozens of parcel taxes that fund fire protection services across the state of California. For example, the cities of San Marino and Marin both have parcel taxes that fund public safety services.
- The latest mailing claims that "*there are more than sufficient reserves to delay this another year if necessary.*" Again, we disagree. The current level of reserve funding can fund city expenditures for up to 6 months at the current expenditure rate. Even if we reduce the expenditure rate, the funding will immediately fall below the 6-month level commonly considered to be fiscally prudent. We don't believe there is any reason for the city to be in that risk position. The intent of the city's reserve fund is to address true emergencies such as natural disasters or situations that are not within the city's control.



We believe that the anti-Measure D arguments were poorly conceived and constructed, and contorted facts to fit the positions and ignored controverting factual information. As a result, many in the community were persuaded to reject the measure or were confused enough to forego voting on the measure altogether, preventing the 2/3 vote required for passage from being achieved. The resulting fiscal crisis into which the city has been forced is a great disservice to our community and in the end negatively impacts the quality of life in the city of PVE.

In summary, while the LBHOA Board of Directors believes that a rational discussion about city funding is healthy, we also believe that the parcel tax is a reasonable means to fund services that enable the city to maintain the character that make us want to live here. We urge the city to pursue a course to renew the parcel tax and restore our community's services to the level we have enjoyed for many years.

Sincerely,

On behalf of the Board of Directors
Peter Bena, President
Lunada Bay Homeowners Association