

AN OPEN LETTER TO THE RESIDENTS OF PALOS VERDES ESTATES

On June 26 the PVE City Council approved our City's budget for 2019, which includes the \$5 million revenue from the Measure E parcel tax. A group of citizens with strong financial backgrounds reviewed the budget and were alarmed to find a \$2.8 million shortfall.¹

The City's plan is to cover this shortfall by tapping into our available funds. Available funds are used to keep the lights on and pay employees and suppliers. Our available funds have been dwindling since 2014, and if we continue at this pace our funds will be totally depleted in fewer than six years.² This is called bankruptcy.

Since 2014 our current City leaders have:

1. Permitted spending in excess of revenue every year.³
2. Increased annual expenditures by \$4.5 million.⁴
3. Decreased available funds by \$6.7 million or 31%.⁵
4. Increased pension debt by \$4.5 million in just the last two years.⁶
5. Replaced consultants (without pensions) with new employees (*with* pensions), including several highly paid managers.⁷
6. Led and enabled the sale of Parklands to private parties, opening a precedent for a last-resort measure to avoid bankruptcy.⁸

In response to this troublesome situation, a petition has been developed to present to City Council, listing measures that will restore our City's financial health and maintain it in the future. The petition is attached and can also be accessed at <https://www.pvrrg.org/sign-petition>.

Notes:

¹ Please see page 5 of the Memorandum dated June 26, 2018, to the City Council from the City Manager entitled, “Approval of the 2018-2020 Budget and Capital Plan...”

http://pvestates.granicus.com/MetaViewer.php?view_id=1&event_id=413&meta_id=53627

The last line of the table, “Total Governmental including Internal Service Funds,” lists a projected fund balance of \$25.1 million for fiscal year 2018 and \$22.3 million for fiscal year 2019, a decrease of \$2.8 million.

² Please see page 5 of the Memorandum dated June 26, 2018, to the City Council from the City Manager entitled, “Approval of the 2018-2020 Budget and Capital Plan...”

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Available (unrestricted) funds consist of the General Fund, the Capital Improvement Fund, the Equipment Replacement Fund, and the Insurance Fund. Therefore the unrestricted funds for fiscal year 2018 equal \$18.3 million and that for fiscal year 2019 equals \$15.5 million, a decrease of \$2.8 million. If these funds continue to be depleted at the same rate, they will be completely gone in 5.6 years beginning in 2019. (\$15.5 million divided by \$2.8 million/year equals 5.6 years.)

^{3, 4} Please see page 101 of PVE’s *Comprehensive Annual Financial Report, year ended June 30, 2017*.

<http://www.pvestates.org/home/showdocument?id=8162>

The line “Net (expense)/revenue” shows that expenses have exceeded revenues every year since 2008. The line “Total governmental activities expenses” shows that from 2014 to 2017 expenses increased from \$20.1 million to \$24.6 million or by \$4.5 million annually.

⁵ Please see PVE’s *Comprehensive Annual Financial Report, year ended June 30, 2014*.

<http://www.pvestates.org/home/showdocument?id=2236>

Note that available (unrestricted) funds consist of the General Fund, the Capital Improvement Fund, the Equipment Replacement Fund, and the Insurance Fund. The General Fund (\$9.8 million) and Capital Improvements Fund (\$8.4 million) are found on page 22. The Equipment Replacement and Insurance Funds together totaled \$4.1 million under the row entitled “Cash and Cash Equivalents” (see page 28). Thus the total unrestricted funds in 2014 were \$22.3 million. Now, going back to page 5 of the approved budget for 2018-2020 (see notes 1 and 2 above), recall that the unrestricted funds for 2019 were \$15.5 million. Therefore unrestricted funds are expected to go from \$22.3 million in 2014 to \$15.5 million in 2019, a decrease of \$6.7 million or 31%.

⁶ Please see Attachment G of PVE’s *Comprehensive Annual Financial Report, year ended June 30, 2017*, found on page 165 of this PDF.

<http://www.pvestates.org/home/showdocument?id=8162>

The line “New pension liability” shows an increase from \$8.5 million in 2015 to \$13.0 million in 2017, or \$4.5 million in just 2 years. (Prior to 2015, PVE did not publish the amount of pension debt.)

⁷ Please see page 5 of the essay, “The Dollars and Cents of City Services,” authored by the City Manager in February 2017.

<http://www.pvestates.org/home/showdocument?id=3316>

All nine positions in the chart are new.

⁸ Please see PVE Openspace.com (<http://www.pveopenspace.com/>).