

# Partnering to Create a Sustainable Future for PVE

Presented by Palos Verdes Residents for Responsible Government (PVRRG)

# Purpose

- Understand information in financial reports that have raised significant concerns
- Highlight recurring trends
- Engage City in a dialogue to effectively exchange ideas and information and reach conclusions
- Provide suggestions

# Agenda

- **City Financial Position**
- **Appropriations and Revenues**
- **Staffing and Pension**
- **Budget**
- **Next Steps and Discussion**

# References and Sources

## Sources of information:

- \*2016AFR: History of Financials. PVE's FY2016 Annual Financial Report:  
<http://www.pvestates.org/home/showdocument?id=3184>
- \*16/18 Budget: Future Financial plans. FY16-18 Adopted Budget:  
<http://www.pvestates.org/home/showdocument?id=3184>
- \*2017 Dollars and Cents: Feb 2017 Essay by City Mgr of the cost of maintaining city services.  
<http://www.pvestates.org/home/showdocument?id=3184>

\*These are PVE's most current financial reports; all are Pre-Measure D

# City Financial Position

## Net Position:

- “The **statement of net position** presents information on all of the City of Palos Verdes Estates’ assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Palos Verdes Estates is **improving** or **deteriorating**.”

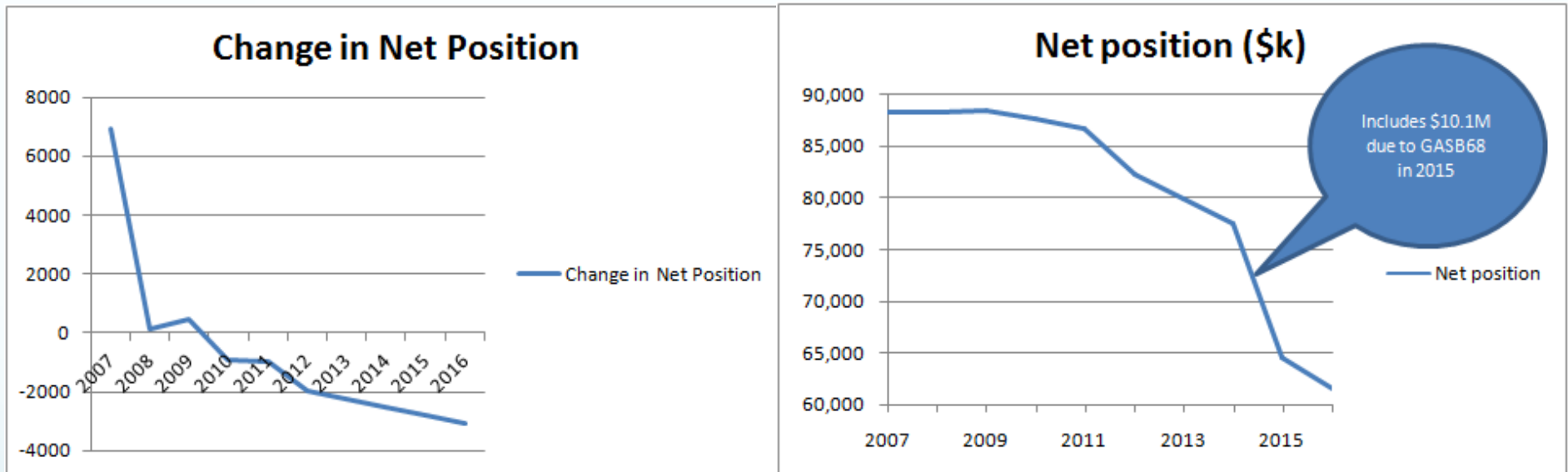
Source: 2016AFR page 6

- Net Position reduced by \$14.5M since 2010
- What is driving these trends? Is this sustainable?

Source: 2016AFR page 99

# City Financial Position

In 2015, Gov accounting practices (GASB68) required pension liabilities be increased by \$10.1M. This is in addition to the \$14.5M change.



	2007	2008	2009	2010-2016 Change -\$14.5M						
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Net position	88213	88344	88506	87668	86669	82232	79968	77458	64526	61476
Change in Net Position	6,932	131	476	(917)	(999)	(1,987)	(2,264)	(2,510)	(2,783)	(3,050)

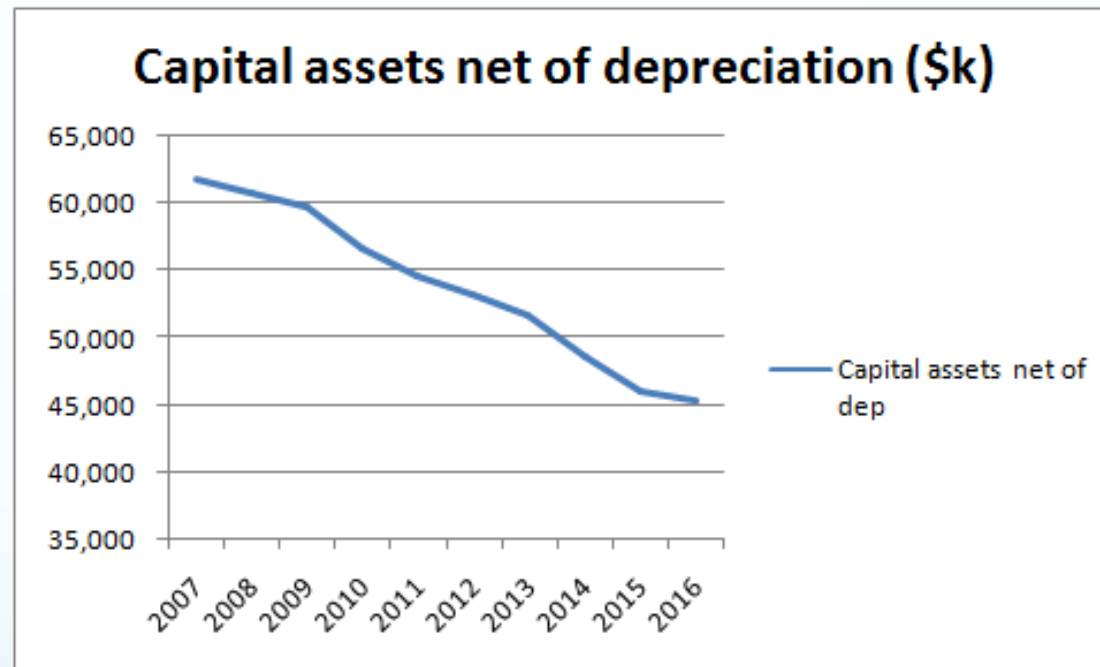
Net Position Source: FY16AFR page 98: includes both \$14.5M and \$10.1M: totals to \$24.6M

Change in Net Position Source: FY16AFR page 99: includes the \$14.5M only.

**Net Position has deteriorated \$14.5M since 2010. Also, there was a \$10.1M GASB68 liability realized in 2015.**

# City Financial Position

Capital Assets net of Depreciation declining

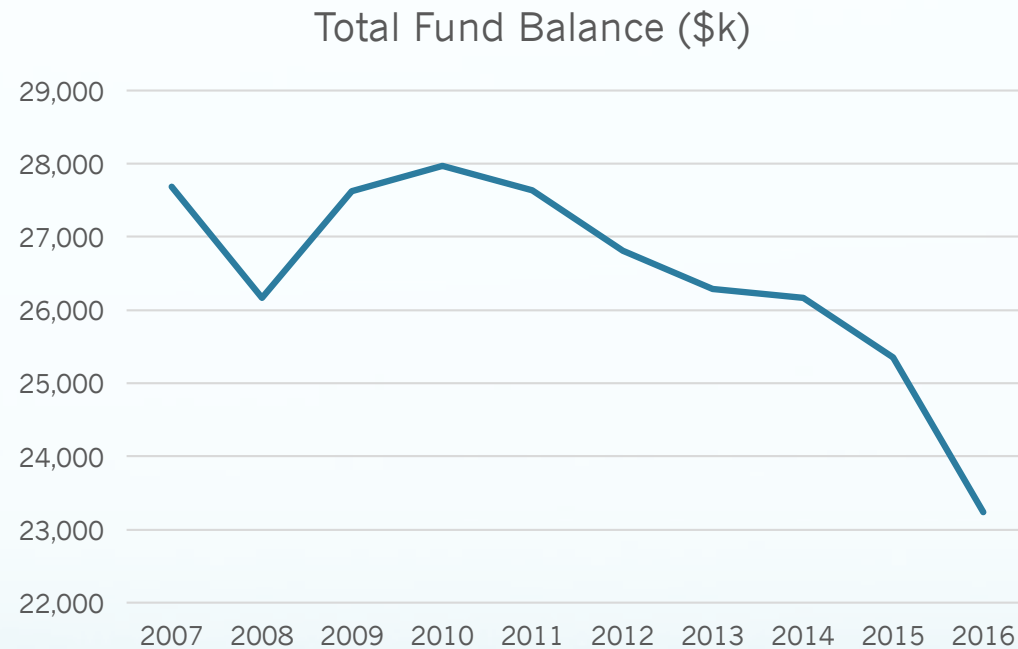


Source: 2016AFR page 98

	2007-2016 Change -\$16.5M									
	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Capital assets net of dep	61847	60831	59719	56687	54677	53240	51728	48675	46006	45358

# City Financial Position

Total funds reduced \$4.4M since 2010



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
Total Fund Balance	27,690	26,170	27,626	27,970	27,631	26,813	26,292	26,166	25,355	23,237

Source: FY16AFR page 100



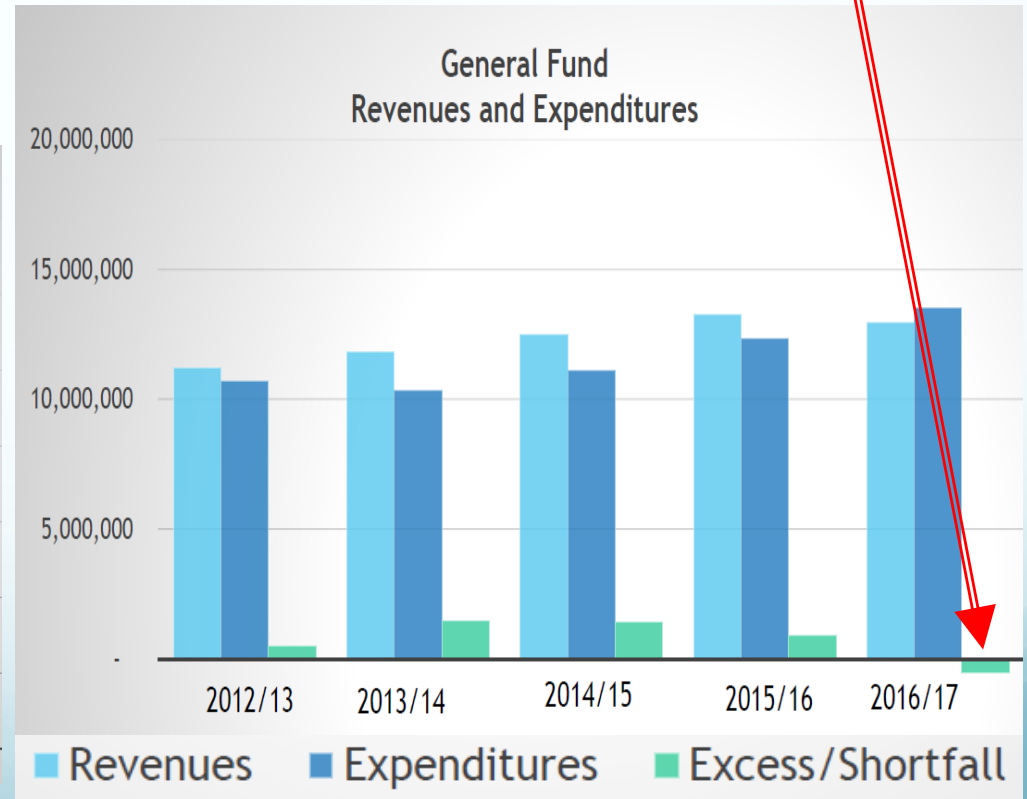
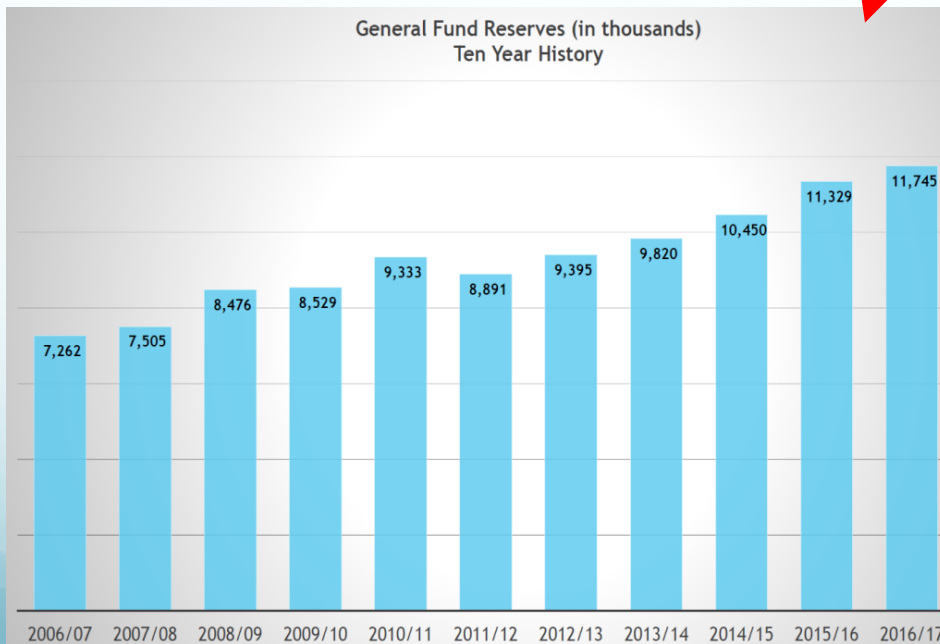
# City Financial Position

Feb 28, 2017 Council meeting:

Staff presents the health PVE's Financials to the public using General Fund in these graphs

- General Fund increasing over 10 years (\$4.5M)
- General Fund Revenues exceed Expenses each year (except 2016 -\$29K)

Source: 2/28/17 Council presentation by Staff  
<http://www.pvestates.org/home/showdocument?id=3383>



# City Financial Position

Now compare to the financial report:

- Expenses exceeded revenues in 2016 by \$2.1M
- Total Funds reduced by \$2.1M

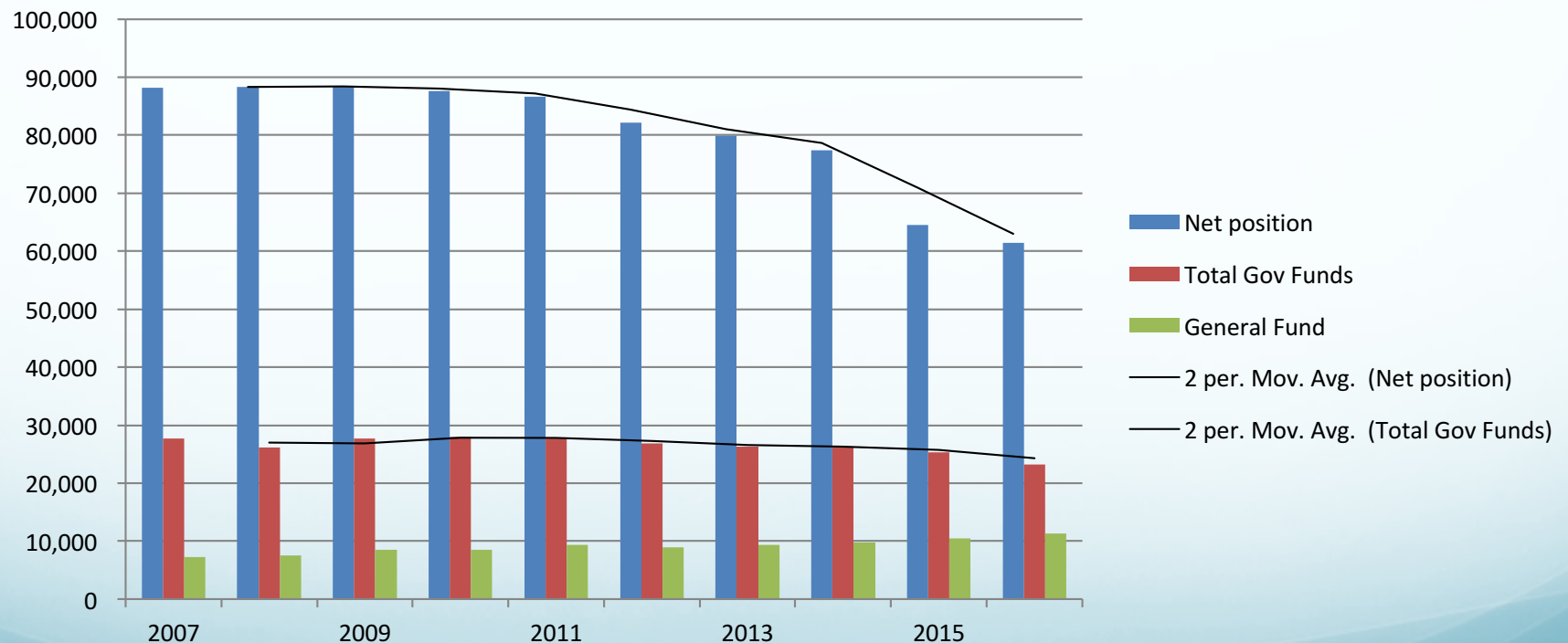
Source: FY16AFR page 22 & 23

	Special Revenue Funds			Capital Projects Funds		Other Governmental Funds	Total Governmental Funds
	General	Special Projects	Special Fire Parcel Tax	General Capital Improvements	Sewer		
<b>Revenues:</b>							
Property taxes	\$ 7,247,031	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,247,031
Special assessments	-	-	4,580,191	-	1,455	-	4,581,646
Other taxes	1,445,135	-	-	-	-	-	1,445,135
Licenses and permits	589,845	-	-	-	-	-	589,845
Revenue from other agencies	1,347,658	197,312	9,547	-	-	988,646	2,543,163
Charges for services	601,794	-	-	-	-	-	601,794
Use of money and property	1,498,042	8,052	1,138	52,314	40,678	13,043	1,612,267
Fines and forfeitures	147,573	-	-	-	-	-	147,573
Miscellaneous	360,627	-	-	-	-	-	360,627
<b>Total Revenues</b>	<b>13,237,705</b>	<b>205,364</b>	<b>4,590,876</b>	<b>52,314</b>	<b>42,133</b>	<b>1,000,689</b>	<b>19,129,081</b>
<b>Expenditures:</b>							
Current:							
General government	2,158,647	-	-	-	-	5,700	2,164,347
Public safety	6,832,600	-	4,525,695	-	-	53,872	11,412,167
Parks and recreation	1,220,890	-	-	-	-	-	1,220,890
Public works	2,147,523	3,907	-	2,087,591	1,495,987	714,973	6,449,981
<b>Total Expenditures</b>	<b>12,359,660</b>	<b>3,907</b>	<b>4,525,695</b>	<b>2,087,591</b>	<b>1,495,987</b>	<b>774,545</b>	<b>21,247,385</b>
Excess (Deficiency) of Revenues Over (Under) Expenditures	878,045	201,457	65,181	(2,035,277)	(1,453,854)	226,144	(2,118,304)
Fund Balances at Beginning of Year	10,450,339	741,735	601,775	7,131,793	5,138,439	1,291,559	25,355,640
Fund Balances at End of Year	\$ 11,328,384	\$ 943,192	\$ 666,956	\$ 5,096,516	\$ 3,684,585	\$ 1,517,703	\$ 23,237,336

# City Financial Position

Now let's look at this over time, using PVE's Financial report:

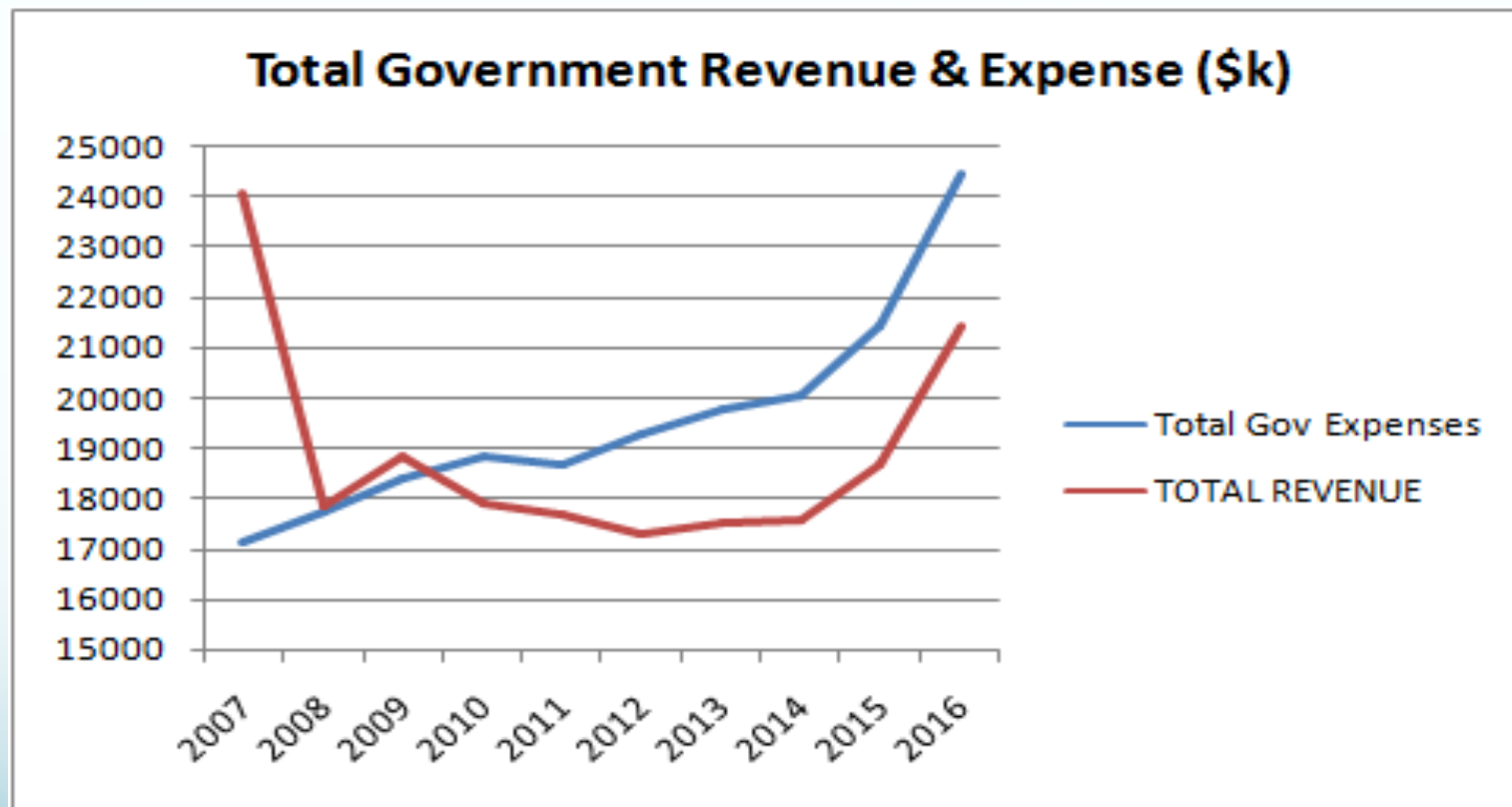
- General Fund increased
- While Total Gov funds decreased
- While Net Position decreased – year over year



Source: FY16AFR page 98 & 100

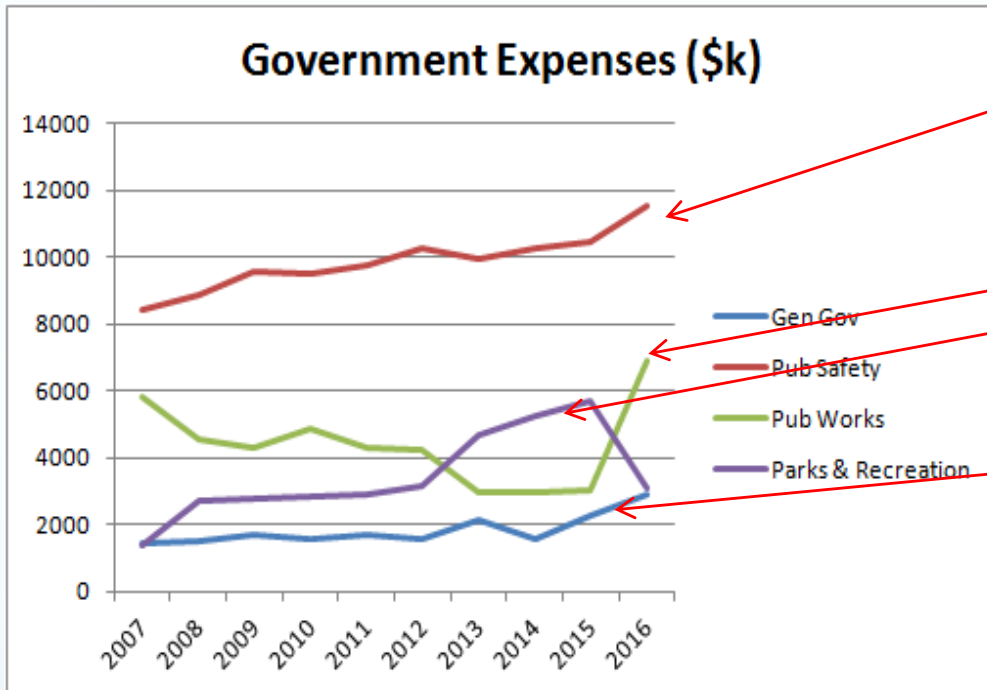
# Appropriations and Revenues

- Total Gov Expenses exceeding Total Revenues for over 7 years
- Strong correlation of increased spending as revenues increase last 3 years



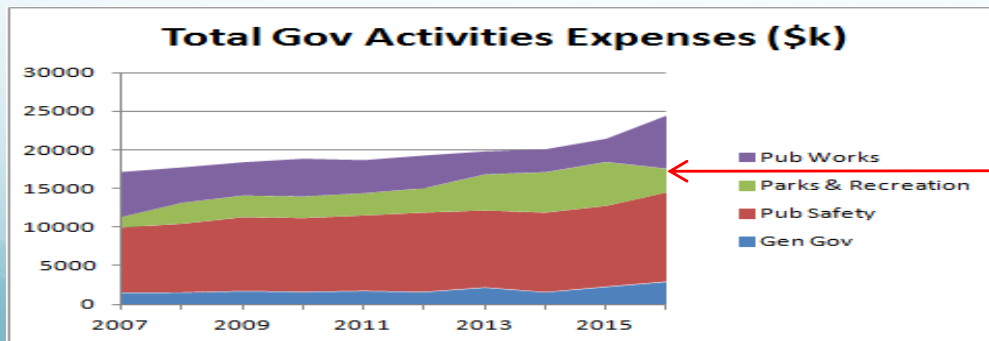
Source: FY16AFR page 99

# Appropriations and Revenues



- Public Safety (Police & Fire) up 36.9% in 10 years, with **10.3%** increase in 2016
- Large increases in Pub Works and \*Parks & Recreation – what is driving this?
- \*Gen Gov nearly **doubled** in 2 years. Why?

\*2016AFR pg 116 shows no productivity measured from these departments



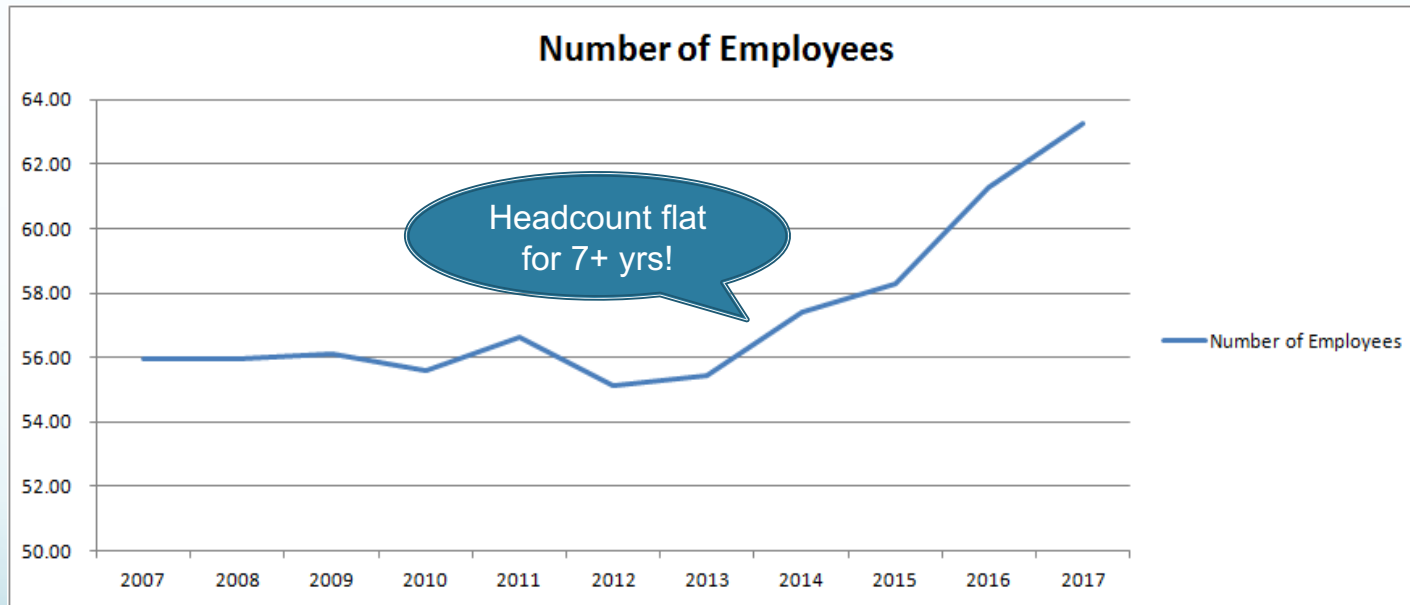
Source: FY16AFR page 99

Aggregate costs increasing

# Staffing and Pension

- **Increased** City headcount by 8 since 2013
- Dollars and Cents document by CM says new hires costing “\$944k offset by some contract savings”. Where is the savings?
- Hiring decisions should consider burden cost: Pensions, Healthcare, Worker’s Comp Ins, & Salary Adjustments

Sources: 2016AFR pg 115 and FY16/18 Budget page 88



	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Number of Employees	55.95	55.95	56.12	55.62	56.62	55.13	55.43	57.43	58.29	61.29	63.25

Sources: 2016AFR pg 115 and pg 13 (FY2017)

# Staffing and Pension

- In March 2017, Council discussed a liability incurred by PVE when CalPERS changed discount rate
- Council also commented that further reductions in discount rate are expected
- “By FY 2018/19, CalPERS cost increases are likely to double”

Source: City Mgr's Dollars and Cents doc pg 3



# Budget

## Prior to Measure D:

- Total funds were projected to decrease by \$5M in the next 2 years
- Reserves, a subset of funds, are planned to be reduced while expenses are increasing. Why?

Source: FY16/18 Adopted Budget Page iv

### PROJECTED FUND BALANCES & RESERVES

This biennial budget maintains the strong General fund 50% reserve for “rainy day” needs and unplanned disasters and emergencies, recognizing the City’s stable, but non-diversified, revenue base. To that end, the budget establishes the following two full year projections of projected fund balances:

FUND	JUNE 2016	JUNE 2017	JUNE 2018
GENERAL FUND	12,180,701	11,744,767	11,274,624
FIRE TAX FUND	672,908	667,082	632,824
SPECIAL REVENUE FUNDS	966,847	1,055,429	1,244,853
TRANSIT TAX FUNDS	952,601	915,516	823,102
CAPITAL FUNDS	9,558,381	7,124,266	6,014,262
SHARED SERVICE FUNDS	5,229,410	4,122,493	4,147,034
<b>TOTAL</b>	<b>29,560,854</b>	<b>25,629,553</b>	<b>24,136,750</b>

Source: FY16/18 Adopted Budget Page v

This budget was built in strict observance to the City’s practice of maintaining a 50% reserve level. This reserve balance decreases from \$9.6 Million to \$9.4 Million over the two year term representing 50% of base funds (all funds excluding capital and sewer) and 75% of the City’s General operating Fund.



# Budget

## Notable:

- PVE population has been flat for last 10 years
- PVE income has been flat; after adjustment for CPI increases
- Many residents on fixed incomes

Source: See charts & sources on backup pages at end of presentation from 2016AFR and Wikipedia

# Next Steps and Discussion

## Suggestions

- Increase community engagement
- Utilize Community expertise
- Provide transparency of financial docs to all residents
- Plan ahead and avoid surprises: Create 5-10 year projections

# Next Steps and Discussion

## Suggestions:

- Investigate what can be done to reduce costs in overall city functions
- Improve key performance indicators – to measure productivity and accountability
- Improve Council oversight of major decisions

# Next Steps and Discussion

## Next Steps for PVrrg:

- We will continue to research
- We will publish and share our findings
- We will continue as an independent voice for the community
- We plan to make our information available to you so you can leverage

How can we help you?

# Next Steps and Discussion

# Thoughts?

# Back-up

## Budget / Demographics:

Calendar Year	City Population	Personal Income (thousands of dollars)	Per Capita Personal Income
2006	14,041	1,043,576	74,605
2007	14,085	1,058,276	75,868
2008	14,046	1,062,042	76,159
2009	14,046	1,052,984	75,245
2010	14,085	1,303,144	92,520
2011	13,480	1,225,469	90,668
2012	13,516	1,246,247	91,710
2013	13,589	1,211,307	88,643
2014	13,665	1,206,227	88,239
2015	13,665	1,185,951	86,490
2016	13,712	1,220,847	89,035

Source: FY16AFR page 113

Historical population		
Census	Pop.	%±
1940	987	—
1950	1,963	98.9%
1960	9,564	387.2%
1970	13,631	42.5%
1980	14,376	5.5%
1990	13,512	-6.0%
2000	13,340	-1.3%
2010	13,438	0.7%
<b>Est. 2015</b>	<b>13,682</b> <sup>[17]</sup>	<b>1.8%</b>

U.S. Decennial Census<sup>[18]</sup>

Source: Wikipedia: City of Palos Verdes Estates