

MEMORANDUM

To: Rancho Palos Verdes City Council

From: Finance Advisory Committee

Date: December 5, 2012

Subject: Statement concerning the fiscal health
of the City of Rancho Palos Verdes

1. Assignment from City Council

In August, 2012, the Finance and Information Technology Department of the City of Rancho Palos Verdes requested the Finance Advisory Committee (FAC) to include provisions in its 2012-2013 Work Plan (1) to comment on and make suggestions concerning Staff's preparation of a pamphlet regarding the City's fiscal health and a presentation to be made at local community meetings, and (2) to participate in such presentations.

This proposal was discussed by the FAC at its August 22, 2012 meeting. FAC did not accept the suggestion that it directly participate in community meetings, but it did agree to include a provision in its work plan to comment on and, if appropriate, make suggestions concerning the proposed pamphlet and presentation. As part of that process, FAC agreed to draft its own short statement concerning the fiscal health of the City.

On September 4, 2012, the City Council approved the FAC work plan and the current assignment, as stated below.

“Prepare a short statement regarding the City's fiscal health to be addressed to the City Council, and provide feedback and suggestions for a presentation and publication to be prepared by Staff regarding various financial issues relevant to the City (e.g. Capital Improvement Plan, Reserves, Budget, etc.) that could be delivered at local community meetings.”

2. Consideration by the Finance Advisory Committee

At its October 24, 2012 meeting, Kathryn Downs provided us with a draft of the presentation which it will make to community organizations regarding financial issues relevant to the City of Rancho Palos Verdes. We asked a number of questions concerning the presentation and made a few comments and suggestions. FAC believes in general that Staff does an outstanding job of preparing financial documents for the City, and that it has done a thorough and professional job of putting together the current presentation.

The FAC then exchanged preliminary views concerning the preparation of its own statement and agreed to the following framework:

1. Staff has emphasized that FAC's statement should not attempt to reflect an extensive analysis of the underlying data or to in any way constitute an expert opinion. Staff has both the resources and expertise necessary to perform those functions. But, because of its mission and exposure to City finances over an extended period of time, FAC believes that it is in a position to provide a citizen's perspective on the subject.
2. Although Staff's presentation addresses a number of matters, including, but not limited to, Staff resources, efficiency and accomplishments, as well as the budget planning process and transparency of City financial reports, the FAC statement will only address the City's fiscal health.
3. Because of its proposed use in a pamphlet and power point presentation, it is envisioned that the FAC statement will be fairly short and will not seek to reevaluate or duplicate Staff's more detailed presentation. It should be a concise and independent view of the subject.

Chair Willie Wang then appointed FAC members Tuan Ho and Bill James to act as a subcommittee to prepare a draft statement and scheduled a further discussion for the FAC's next meeting on December 5, 2012.

The subcommittee reviewed financial information provided by Staff, spoke with former council members and an outside expert,¹ and reviewed financial information concerning other South Bay cities. It then drafted a proposed Memorandum which was circulated by Staff to the members of the FAC. At its meeting on December 5, 2012, the FAC discussed the proposed Memorandum and made minor changes. The following statement was unanimously adopted.

3. Statement concerning the fiscal health of the City of Rancho Palos Verdes

The Finance Advisory Committee is in a position to watch the development of the financial health of the City of Rancho Palos Verdes. It participates in issues as they develop and each year reviews the Five Year Financial Model, the budget, and other financial documents prepared by Staff or others on behalf of the City as directed by the City Council. It provides independent views to the City Council concerning the budget and related financial issues such as banking and pensions.

Compared with other cities, both locally and across the state, the City of Rancho Palos Verdes has a stable economy and an efficient government which have largely been unaffected by the state's budget problems or the recent dissolution of redevelopment agencies. The establishment of the Terranea resort has added an important element to our tax base and the City's conservative financial philosophy has produced healthy reserve levels, a balanced budget and no debt. These are strong indicators of fiscal health.

However, it is important to note that long term revenues and liabilities can change over time and are not always fully reflected in financial documents. Looking to the future will require handling significant problems surrounding the San Ramon Canyon and Portuguese Bend areas, continuing the repair of our storm drains, dealing with

¹ Michael Coleman is a recognized expert on the evaluation of California local government revenues spending and financing, sponsored by the California League of Cities, and will be one of the featured speakers at the 14th Annual South Bay Council of Governments General Assembly on February 22, 2013.

deteriorating sewer lines, and addressing new problems sure to arise in the future.

During its almost 40 years, our City has successfully dealt with a number of significant issues. The City has grown and its trails and recreational facilities have become an important part of the lives not only of its own residents, but of people throughout Southern California. It has dealt with landslides and constant repairs to major arterial roads that run through areas affected. It is currently addressing other unique geological problems involving our canyons, coastline and storm drains. We believe that with continued leadership and citizen support, the City of Rancho Palos Verdes will be able to address future challenges.

4. Conclusion

The above statement was prepared for possible use in a pamphlet and power point presentation. If the City council would like the FAC to focus on any element of the City's fiscal health with more specificity or in greater detail, it would be happy to do so.