DATE: June 21, 2016

TO: City Council

THROUGH: Greg Nyhoff, City Manager
Office of the City Manager

FROM: Maria Hurtado, Assistant City Manager

SUBJECT: FY 2016-17 Property Tax Rate for Voter Approved Obligations

CONTACT: Mike More, Finance
Mike.More@oxnard.org, 385-7480

RECOMMENDATION:

That City Council adopts a resolution establishing the FY 16-17 tax rates on property in the City of Oxnard for the payment of voter-approved obligations.

BACKGROUND

A special municipal election held on October 23, 1951 authorized the City to enroll its fire and police safety employees in the California State Employees’ Retirement System (renamed the Public Employees’ Retirement System (PERS)), and obligated the City to pay the annual costs of participation in the retirement system. Each year, the City Council adopts a resolution establishing the annual tax rate on property in the City of Oxnard for the payment of this voter-approved obligation, which is exempt from the one percent (1%) tax limitation established by Proposition 13. This tax is referred to as the “Carman Override” based upon the California Supreme Court case Carman v. Alvord in which the court ruled that voter approved pension costs constituted debt that could be supported by a tax levy in excess of the 1% maximum allowed by Proposition 13. Only 24 out of 486 cities in the State of California have access to this Carman Override Tax.

Management Partners, in its Phase I Assessment Report dated March 11, 2015, noted that an actuarial review was necessary in order to determine the amount of retirement costs that should be included in the Carman Override Tax levy for FY 2015-16. The City hired Bartell Associates, LLC, to complete this actuarial review. Based upon Management Partners’ analysis, the eligible
PERS rates of Police and Fire employees’ salaries that can be paid by the Carman Override Tax are 30.578% and 34.925%, respectively. Based on the percentages above, the total amount for FY 2016-17 that can be paid by the Carman Override Tax is $10,368,659.

The Public Safety Retirement Tax in FY 2015-16 generated a total of $12,815,999 due to a higher-than-expected net assessed valuation of $16,476,480,801, in part generating excess revenue of $2,305,879.

A total amount of $2,553,965 will be credited against the required revenue in FY 2016-17 to produce a lower net tax rate. The formula used for determining that credit for FY 2016-17 is as follows:

\[
\begin{align*}
\text{Beginning Cash Balance (Fund 119) @ July 1, 2015} & \quad $678,085 \\
\text{Plus: Actual Revenue Received Through April 30, 2016} & \quad 12,815,999 \\
\text{Less: Budgeted Expenditures FY 2015-16} & \quad (10,510,119) \\
\text{Less: Reserve for Cash Flow (One Pay Period’s Expenditures)} & \quad (450,000) \\
\end{align*}
\]

\[
\text{Total Amount to Apply Against Budgeted Expenditures FY 2016-17} = 2,553,965
\]

Based upon final Net Secured Assessed Valuation (AV) in FY 2015-16 in District I (see below) of $16,476,480,801, the total tax rate to generate $7,814,694 (e.g., $10,368,659 less a credit of $2,553,965) to contribute toward eligible Police and Fire retirement costs is $0.047429 per $100 of AV. As an example, for every $100,000 in assessed valuation, a property owner will pay $47.43, compared to $67.56 in FY 2015-16. The maximum tax rate for the Carman Override Tax is $0.076637 per $100 of AV.

The recommended budget for FY 2016-17 will include approximately 100 fire positions and 255 police positions covered under the voter approved authorization.

**Tax Districts**

The City has two districts, District I and District IV. District IV consists of property that in December 1969 was annexed to the City, but not to District I. The City’s tax rate for voter-approved obligations applied only in District I.

All annexations to the City now also require annexation to Tax District I, making the territory liable for voter-approved indebtedness of the City.

**FINANCIAL IMPACT**

The estimated retirement cost of FY 2016-17 for 328 public safety employees is $18,011,793. A net amount of $7,814,694 of this amount is being levied through the Carman Override Tax after a credit of $2,553,965, resulting in a tax rate of $0.047429 per $100 of AV. The remaining balance of $7,643,134 is budgeted in other operating funds for FY 2016-17.

<INSERT BODY HERE>

**ATTACHMENTS:**
Attachment No 1 - Resolution Property Tax Rate (FY16-17)
RESOLUTION NO.___________

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF OXNARD
ESTABLISHING THE FISCAL YEAR 2016-17 PROPERTY TAX RATE
FOR VOTER APPROVED OBLIGATIONS

WHEREAS, Section 2237.2 of the Revenue and Taxation Code requires that within 90 days of the end of the fiscal year, the City report to the County Controller the tax rate and total revenues expected to be generated in the current fiscal year for voter approved obligations; and

WHEREAS, the City’s adopted budget for the Fiscal Year 2016-17 appropriates monies required to pay voter approved obligations of the City; and

WHEREAS, the Ventura County Auditor-Controller provided an estimated assessed valuation of City tax districts for tax rate purposes.

NOW, THEREFORE, the City Council of the City of Oxnard hereby determines and resolves that the following amounts of revenue from property taxes are required for the current fiscal year to pay the City’s obligation for public safety retirement expenditures:

<table>
<thead>
<tr>
<th>Total Property Taxes</th>
</tr>
</thead>
<tbody>
<tr>
<td>From Current Tax Rates</td>
</tr>
<tr>
<td>On Secured Roll Assessed Values</td>
</tr>
<tr>
<td></td>
</tr>
<tr>
<td>Public Safety Retirement Fund</td>
</tr>
<tr>
<td>Total Public Safety Retirement for FY 2016-17</td>
</tr>
<tr>
<td>Total Property Taxes from Current Tax Rates on Secured Roll Assessed Values</td>
</tr>
</tbody>
</table>

The City Council of the City of Oxnard further resolves that for the purpose of raising such revenue the rates of taxation for the different portions of the City are hereby fixed and taxes are hereby levied on the taxable property in the City for the fiscal year beginning July 1, 2016, in the number of dollars upon each one hundred dollars of the assessed value of the property as assessed by the County Assessor and equalized by the Board of Equalization of the County of Ventura as set forth in the following table. The taxes levied upon property in each portion of the City hereinafter described and designated by a tax district number is at the rate set in the column headed by the tax district number which is prefixed to the description of such portion of the City as hereinafter stated.

TAX DISTRICT I

All territory included within the boundaries of the City, as originally incorporated, and all territory annexed to the City by action of the City Council by annexation proceedings, excepting there from Annexation No. 69-9.
TAX DISTRICT IV

All territory annexed to the City by action of the City Council as described in Ordinance No. 1255, adopted November 12, 1969, to become effective December 12, 1969, known and referred to Annexation No. 69-9 (Rancho La Ribera).

<table>
<thead>
<tr>
<th>Public Safety Retirement Fund</th>
<th>DISTRICT I</th>
<th>DISTRICT IV</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tax Rate Required (Per Mil)</td>
<td>0.047429</td>
<td>-0-</td>
</tr>
<tr>
<td>Total Tax District Tax Rates (Per Mil)</td>
<td>0.047429</td>
<td>-0-</td>
</tr>
</tbody>
</table>

The City Council of the City of Oxnard further resolves that the foregoing tax rate is determined to be necessary to provide revenues required for the stated purpose during the period specified; that the City Council does hereby levy this sum on the property in such tax districts for Fiscal Year 2016-17; that in accordance with Government Code Section 36936.1, the City Clerk is instructed to cause this resolution to be published one time in the newspaper within 15 days after adoption; and that the City Clerk is instructed to transmit immediately to the County Auditor a certified copy of this resolution.

PASSED AND ADOPTED this ______ day of June, 2016, by the following vote:

AYES:

NOES:

ABSENT:

Tim Flynn, Mayor

ATTEST:

Daniel Martinez, City Clerk

APPROVED AS TO FORM:

Stephen Fischer, City Attorney