

Retirement Benefits” of \$0.01500 per \$100 of assessed valuation. The tax rate of \$0.01500 would continue the tax rate included in the current Fiscal Year 2019/20 Adopted Budget.

Alternative Action(s):

Do not approve the recommended action, and direct staff accordingly.

Analysis:

On July 16, 2012, the City Council adopted an ordinance to permanently cap the tax rate at \$0.01500 per \$100 of assessed valuation. Therefore, the requested tax levy for FY 2020/21 reflects the same tax rate of \$0.01500 per \$100 of assessed valuation effective in FY 2012/13 pursuant to Chapter 3.07 of the Municipal Code. Fiscal Year 2020/21 will represent the ninth year of the application of the permanent cap.

As background, on June 25, 2012, the Registrar of Voters of the County of Orange certified a measure to be placed on the ballot to repeal the Employee Tax Override in its entirety. However, on November 6, 2012, the ballot measure, known as Measure Z, was defeated by a majority of Huntington Beach voters.

The current capped Employee Tax Override results in an approximate \$75 annual tax levy for a property assessed at \$500,000. Revenue generated from this property tax helps the City fund employee pension costs associated with pre-1978 retirement benefit levels. As such, the tax can only pay for the estimated costs associated with the pension benefit formulas in place prior to the enactment of Proposition 13 on July 1, 1978. Hence, the tax can only pay for retirement benefits for all retired, current, and future City employees that were contracted for prior to July 1, 1978 (such as the 2% at 50 benefit formula for Safety employees in place before enactment of Proposition 13).

Please note that even before the adoption of a permanent cap, this assessment has not been increased since Fiscal Year 2009/10, and can now only be modified by a vote of the electorate, as the adoption of the Retirement Tax Cap contained in Chapter 3.07 of the Municipal Code established a permanent cap. Based on the most recent CalPERS actuarial valuations the cost of pre-1978 retirement benefit levels for Safety personnel total \$26.9 million. As such, the proposed tax rate is recouping only 23 percent of eligible Safety personnel retirement costs.

Due to the County of Orange’s timeline for approving the tax rate and the city’s budget cycle, the rate must be set before the City Council takes action on its annual budget. The recommended assessment rate would maintain essential services in the General Fund for Fiscal Year 2020/21.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability
Enhance and modernize public safety service delivery

Attachment(s):

1. Resolution No. 2020-31 “A Resolution of the City Council of the City of Huntington Beach

Levying a Retirement Tax for Fiscal Year 2020/2021 to Pay for Pre-1978 Employee Retirement Benefits.”

2. Ordinance No. 3954 “An Ordinance of the City of Huntington Beach Amending the Huntington Beach Municipal Code by Adding Chapter 3.07 Relating to Capping the Retirement Property Tax at Fiscal Year 2012/13 Rates.”