

**CITY OF CLOVERDALE  
CITY COUNCIL  
RESOLUTION NO. 054-2017**

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLOVERDALE SETTING  
THE AD VALOREM TAX RATE FOR PUBLIC EMPLOYEE RETIREMENT SYSTEM  
RETIREMENT BENEFITS FOR FISCAL YEAR 2017-2018**

**WHEREAS**, the City of Cloverdale has entered into a contract with the Public Employees' Retirement System of the State of California for the provision of retirement and related benefits to the employees of the City of Cloverdale, and pursuant to previously established voter authorization, the City of Cloverdale is authorized to establish the levy for the current fiscal year in order to fund its responsibilities under the contract; and

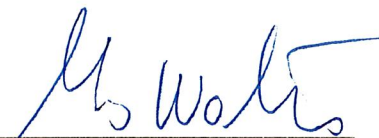
**NOW, THEREFORE BE IT RESOLVED** by the City Council that an Ad Valorem tax rate for fiscal year 2017-2018 be levied upon property in the City of Cloverdale for the above purpose in an amount of \$0.107 per one hundred dollars of full assessed valuation; and

**BE IT FURTHER RESOLVED** that the County Assessor, Auditor, Tax Collector and other appropriate officials of the County of Sonoma are hereby authorized and directed to spread the specified assessment upon the tax rolls of all taxable property within the City of Cloverdale in the County of Sonoma, and to receive, collect, and disburse the same in accordance with law and the agreement between the City of Cloverdale and the County of Sonoma.

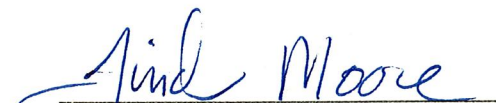
**IT IS HEREBY CERTIFIED** that the foregoing Resolution No. 054-2017 was duly introduced and legally adopted by the City Council of the City of Cloverdale at its regular Meeting held on this 22nd day of August 2017, by the following roll call vote: (Ayes- 5; Noes-0)

AYES: Councilmember Bagby, Vice Mayor Palla, Councilmember Russell, Councilmember Brigham, and Mayor Wolter  
NOES: None  
ABSENT: None  
ABSTAIN: None

Approved:

  
\_\_\_\_\_  
Gus Wolter, Mayor

Attested:

  
\_\_\_\_\_  
Linda Moore, Deputy City Clerk

City of Cloverdale PERS Retirement Tax Rate Calculation  
Fiscal Year 2017-2018

<u>Classic Members</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Earnings subject to PERS - Classic Members	\$ 1,604,502	\$ 843,810	\$ 2,448,312
17/18 PERS Rate - Employer Paid	15.921%	28.723%	
Less After Added Benefits	2.510%	8.207%	
Net PERS Rate to be Funded by Tax	13.411%	20.516%	
Normal Contribution - Classic Members	215,180	173,116	
Employer Payment of Unfunded Liability	260,575	266,603	
Amount to be funded by Tax	<u>\$ 475,755</u>	<u>\$ 439,719</u>	\$ 915,474

<u>New Members</u>	<u>Miscellaneous</u>	<u>Safety</u>	<u>Total</u>
Earnings subject to PERS - New Members	\$ 753,726	\$ 421,404	\$ 1,175,130
17/18 PERS Rate - Employer Paid	6.533%	11.990%	
Net PERS Rate to be Funded by Tax	6.533%	11.990%	
Normal Contribution - New Members	\$ 49,241	\$ 50,526	
Employer Payment of Unfunded Liability	\$ 38	\$ 130	
Amount to be Funded by Tax - New Members	<u>\$ 49,279</u>	<u>\$ 50,656</u>	\$ 99,935

Amount to be Funded by Tax - Total	\$ 525,034	\$ 490,375	\$ 1,015,409
Reserves for Rate Stabilization			<u>540,000</u>
Total Requirements			\$ 1,555,409
Less Available Balance at July 1, 2017			(544,450)
Less Other Revenue Sources (Estimates based on prior year)			
Unitary			(199,475)
RPTTF Residual			(46,530)
Supplemental Property Tax			(9,000)
Unsecured Property Tax			(1,000)
Total Tax Requirement for FY 2017-18			<u>\$ 754,954</u>

	Secured	Unsecured	Total
Property Values - Fiscal Year 2017-18 Tax Roll	1,029,809,102	57,354,727	\$ 1,087,163,829
Less RDA Increment			\$ (382,567,146)
Cloverdale DS Net Value			\$ 704,596,683
Total Requirements			\$ 754,954
Tax Rate (Requirements divided by DS Net Value times 100)			
Property Tax Rate per \$100 of Assessed Value			0.107



**City Council**  
**Agenda Item Summary**

Agenda Item: 4  
Meeting Date: August 22, 2017

<b>Agenda Section</b>	<b>Staff Contact</b>
Consent	Joanne Cavallari, Finance Manager

**Agenda Item Title**

Annual Adoption of a Resolution to Approve the Ad Valorem 2017/2018 Tax Rate for Inclusion on Property Tax Bills to Fund PERS Retirement Expense

**Summary**

In 1974, the voters of the City of Cloverdale approved a tax to pay for Public Employees’ Retirement System expenses. A tax rate must be computed and approved by the City Council each year and transmitted to the County Auditor-Controller’s Office for inclusion on the property tax bills. Staff has computed the tax rate of \$0.107 per one hundred dollars of assessed value using fiscal year 2017/2018 Certified Values provided by the County, the projected PERS retirement expenses, the PERS rates for safety and miscellaneous members, and the reserve requirement.

The value of benefits added after the voters approved the tax has been subtracted from the PERS rates before calculating the City’s tax requirements. These “after added” benefits are paid by other available revenues in the General Fund and enterprise funds, and by contributions from the employees. Also, the City has fifteen “New Members” that are required under state law to pay 50% of the cost of their benefits, which helps reduce the amount of tax required from the voters.

In Fiscal Year 2016/2017, Staff worked with the County to revise the formula used by the City to calculate the tax rate, because the actual tax revenue received from property taxes was consistently below the amount calculated. Due to the decline in revenues, the fund balance reserve had dropped to \$458,000 at the end of Fiscal Year 15/16.

The revenue deficit was due to an adjustment to the Assessed Valuation made by the County of Sonoma, which shifts a portion of the property tax to the RDA Successor Agency. The old formula did not take this adjustment into consideration.

Last year the Council agreed to decrease the reserve requirement in the formula to \$400,000 to keep the tax rate from increasing too much. However, in FY 2016/2017 revenues came in higher than the new formula projected. The ending reserve balance at June 30, 2017 is \$544,450.

When calculating the tax, all the numbers used in the formula are estimates. Our annual tax revenue can be higher or lower, based on the real estate market and property values. The expense amounts come from the budget. Actual expenses can be higher or lower based on actual payroll costs, employee additions or turn-over, and whether new hires are “Classic” or “New” members.

Staff is recommending that the tax rate remain at 10.7% for 2017/2018, rather than lowering it and reducing reserves. As we learned earlier this year, retirement expenses are expected to increase significantly over the next few years, due to the lowering of the CalPERS discount rate. In the most recent Actuarial Valuation report from CalPERS, the FY 18-19 annual unfunded liability payment for the Miscellaneous Plan is expected to increase by about \$52,000. The Safety Plan is expected to increase by about \$55,000.

Using a target reserve balance of \$540,000, the tax rate required is the same as it was last year. Maintaining the reserve will help offset the increased future costs of the unfunded accrued liability, and keep the tax rate at a more consistent level over time.

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**Options**

None recommended.

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**Budget/Financial Impact**

The existing tax rate of 10.7% should generate about \$754,954 for the PERS retirement program expenses, and maintain the reserve level at \$540,000.

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**Subcommittee Recommendation:**

N/A

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**Recommended Council Action**

Adopt Resolution No. 054-2017 Setting the Ad Valorem Tax Rate for Public Employee Retirement System Retirement Benefits for Fiscal Year 2017/2018.

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**Attachments:**

1. Resolution No. 054-2017
2. Attachment A-PERS Rate Calculation setting the rate at 10.7%

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**cc:**