

Response to Grand Jury Report Form

Report Title: Seabridge Community Facilities District No. 4

Report Date: May 10, 2018

Response by: Tim Flynn Title: Mayor

FINDINGS/CONCLUSIONS

- The City of Oxnard disagrees with all or part of each Finding and Conclusion because the Findings or Conclusions contain incorrect information or need additional clarification. The City's specific responses are as indicated in the attached four-page response.

RECOMMENDATIONS

- Recommendation R-01 is not applicable to the City of Oxnard.
- Recommendations R-02 to R-06 will not be implemented because they are not warranted or are not reasonable as outlined in the attached analysis. The City's specific responses to the Recommendations are indicated in the attached response.

Date: 7/24/2018 Signed: Carmen Ramirez for TF
Tim Flynn, Mayor

ATTEST:

Michelle Ascencion
Michelle Ascencion, City Clerk

Date: 7/21/18 Signed: Ken Rogell for
Stephen M. Fischer, City Attorney



**RESPONSES OF THE CITY OF OXNARD TO
GRAND JURY REPORT DATED MAY 10, 2018**

FA-01. On November 23, 2004 the City Council, acting as the legislative body of Community Facilities District No. 4 (Seabridge at Mandalay Bay)(hereafter, “CFD-4”) adopted Resolution No. 12,739, which established CFD-4 and authorized the levy of a special tax. On December 14, 2004, the City Council, acting as the legislative body of CFD-4, adopted Ordinance No. 2677 authorizing the initial levy of taxes for CFD-4. The taxes are available for use for a range of services.

FA-02. The adopted Rate and Method of Apportionment for CFD-4 (the “RMA”) sets the maximum special tax that can be charged for each type of land use class within CFD-4. Pursuant to the RMA, the amount of the maximum special tax increases two percent each year. However, CFD-4 is not obligated to charge the maximum special tax, only the amount that is necessary for the operations of the CFD-4 plus prudent reserves. The funds needed can vary from year to year.

FA-03. The MOU is between the City, County and OLY Mandalay Bay General Partnership.

FA-04. It is unknown if this statement is correct given that it relates to a County budget expenditure.

FA-05. The City agrees that FA-05 quotes a portion of Proposition 218; however, the Proposition includes additional language regarding taxes and assessments.

FA-06. The City agrees that FA-06 quotes a portion of an article from the Ventura County Star.

FA-07. This information does not match the City’s numbers.

FA-08. In fiscal year 2013-2014, the City budgeted \$543,318 for Harbor Patrol services and the actual County charges were \$677,791.

FA-09. In fiscal year 2014-2015, the City budgeted \$554,185 for Harbor Patrol services. The actual costs were \$654,032.

FA-10. In fiscal year 2015-2016, the City budgeted \$554,185 for Harbor Patrol services. The actual costs were \$735,935.

FA-11. A former City employee incorrectly indicated at a meeting that the 2015 CFD-4 budget had improper charges. City staff later clarified that this reference was to a Landscape Maintenance District not associated with CFD-4 or the Seabridge community.

FA-12. The study calls for a beginning reserve balance of \$2.598 million, with an annual CPI escalator.

FA-13. The statement includes some of the applicable costs.

FA-14. This statement regarding the establishment of the Reserve Fund balance is correct.

FA-15. The City has prudently included reserves for dredging needs if required in the future. This is clearly an allowed use of the funds in the CFD-4 formation documents.

FA-16. This statement is correct as of today's date; however, dredging services may be necessary in the future that will not be provided by the Corps of Engineers.

FA-17. This statement is incorrect. Per the conclusion in the Reserve Study from 2014, it was "recommended that the annual fees (levy) remain steady for one more year (FY 2015-2016) to make sure the Reserve Fund does not reduce further. If the Reserve Fund is able to rise next year, then it would be appropriate to consider a reduction in annual fees or taxes."

FA-18. Three initiative petitions relating to Seabridge were presented by one individual, proponent Robert Chatenever. Because the petitions had the required number of valid signatures, the City Council placed them on the ballot for the November election.

C-01. It is unknown if this statement regarding the Harbor Patrol's budget is correct.

C-02. The City budgeted for CFD-4 services based upon specific information that was provided by the County, as well as information from other sources. These amounts are reconciled each year. If more funds are generated than actually needed, then the excess amounts are placed in the reserves. If the bills from the County and/or the contractors are higher than estimated, then reserve amounts are prudently used as necessary.

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C-04. The City has collected reserve funds that are consistent with the formation documents for CFD-4 and provide adequate funding if dredging is needed in the future.

C-05. This conclusion is incorrect. The City has prudently and conservatively budgeted for CFD-4 each year based on the information that was available at the time that the budget was prepared. There is not a “dependency” on budget reserves. If more funds are generated than actually needed, then the excess amounts are placed in the reserves. If the bills from the County and/or the contractors are higher than estimated, then reserve amounts are prudently used as necessary.

C-06. There are a number of incorrect statements in this conclusion. The amount of the annual assessments for CFD-4 is not based upon the MOU. It is based upon the adopted RMA for CFD-4. The RMA sets the maximum special tax that can be charged for each type of land use class within CFD-4. The maximum special tax increases two percent each year; however, CFD-4 is not obligated to charge the maximum special tax each year. As long as the amount charged for each type of land use class does not exceed the maximum special tax, it can be adjusted each year as appropriate.

R-01. This recommendation is not applicable to the City.

R-02. The City does not regularly use the CFD-4 reserve funds to balance the budget for CFD-4. Each year, the City prepares a balanced budget based upon the estimates provided by the County and the City’s contractors. These amounts are reconciled each year. If more funds are generated than actually needed, then the excess amounts are placed in the reserves. If the bills from the County and/or the contractors are higher than estimated, then reserve amounts are prudently used as necessary.

R-03. The City does not regularly use the CFD-4 reserve funds to balance the budget for CFD-4. Each year, the City prepares a balanced budget based upon the

estimates provided by the County and the City's contractors. These amounts are reconciled each year. If more funds are generated than actually needed, then the excess amounts are placed in the reserves. If the bills from the County and/or the contractors are higher than estimated, then reserve amounts are prudently used as necessary.

R-04. The City has prudently included reserves for dredging needs if required in the future. This is clearly an allowed use in the CFD-4 formation documents.

R-05. Many of the fluctuations have been the result of the County providing one number for estimated costs for the upcoming fiscal year and then billing a substantially larger amount at a later date. The City has prudently and conservatively budgeted for CFD-4 each year based on the information that was available at the time that the budget was prepared.

R-06. R-06 is based upon incorrect facts and an incorrect premise. The amount of the annual assessments CFD-4 is not based upon the MOU; it is based upon the adopted RMA for CFD-4. The RMA sets the maximum special tax that can be charged for each type of land use class within CFD-4. The maximum special tax increases two percent each year. As long as the amount charged for each type of land use class does not exceed the maximum special tax, it can be adjusted each year as appropriate.