City of Calistoga Staff Report

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TO:

Honorable Mayor and City Council

FROM:

David W. Spilman, Interim Admin. Services Director/City Treasurer

DATE:

September 20, 2011

SUBJECT:

Amending and establishing appropriation limits for Fiscal Years

2009/2010 and 2010/2011, and approving the appropriations limits

for Fiscal Year 2011/2012

APPROVAL FOR FORWARDING:

Richard Spitler, City Manager

ISSUE: The consideration of:

- 1. A resolution amending the appropriations limit for Fiscal Year 2009/2010, and the 2010/2011 final budget, and the final appropriations subject to limit for Fiscal Year 2010/2011; and
- 2. A resolution approving the appropriations limits for Fiscal Year 2011/2012, and the appropriation subject to limit for Fiscal Year 2011/2012.

RECOMMENDATION: To adopt resolutions.

10 11 **BACKGROUND**:

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State law requires the City to set an appropriation limit after adoption of the annual budget. The limit is based on appropriations (formal authorization by the City Council to spend funds) only from proceeds of taxes, as defined by the law and statewide reporting guidelines. The appropriations limit amount is increased each year by a formula that uses a combination of percent changes in the Statewide Per Capita Income (PCI), city or county Population and the City non-residential assessed valuation. The factors are allowed to be used in combination to provide the greatest increase or least decrease in the annual appropriations limit.

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In November 1979, the people of California added Article XIII-B to the State Constitution, which placed limitations on the appropriations of State and local

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25 governments. In June 1990, the people approved Proposition 111, which, among 26 other things, amended the Article XIII-B. The amendment created a new base 27 year of FY 86-87, allowed annual increases based on the city or county 28 population growth and assessed valuation growth of non-residential property, 29 provides for exclusion of capital expenditures over \$100,000 and requires an 30 annual independent auditor review of the calculations. Statewide reporting 31 guidelines were developed to define and implement the changes and establish 32 the annual audit requirements.

33 The City's appropriation limit and the appropriations subject to limit are calculated 34 based on the statewide reporting guidelines and are reviewed by the 35 independent auditor for compliance with the State law and guidelines. The 36 appropriations limit has increased significantly since 1987 by applying the higher 37 of county or city population growth rates and the percentage of non-residential 38 assessed valuation growth. The State Department of Finance provides the PCI 39 and population growth rates. The County Assessor provided the non-residential 40 assessed valuation information.

The statewide guidelines and best practices in other cities have recommended to perform a year end update of the appropriations subject to limit. This is done to determine if there have been any significant changes in appropriations from the initial budget adoption that may affect the appropriations limit.

Adjustments needed to Appropriations Limit calculation

In reviewing the factors used to increase the appropriations limit each year, it was discovered that for the last two years the correct factors were not used and the appropriations limit was significantly under the allowed amount by the state guidelines. The resolution updating the FY 10-11 Appropriations limit includes the corrections to the factors for FY 09-10 and FY 10-11.

By using the correct factors the appropriations limit in FY 09-10 increased from \$10,811,821 to \$16,827,094. The revised FY 10-11 limit is also adjusted from \$10,091,754 to \$16,557,123.

Adoption of the appropriations limit has been determined to be a legislative act of the City Council and can be adjusted or updated to correct previous errors in calculations or reflect new appropriations. The State Government Code limits challenges in civil court to the appropriations limit calculation to a 45-day period after adoption.

FY 10-11 Amended Appropriations Limit and Final Budget Appropriations Subject To Limit

The Fiscal Year 09-10 appropriations limit for the City has been amended to use the correct non-residential assessed valuation percent change of 46.7% and the County population growth of 1.4%. The significant increase was primarily due to the Solage development. These factors increased the appropriations limit by 56% to \$16,827,094.

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- 66 The amended limit for Fiscal Year 10-11 is \$16,557,123. This limit decreased
- 67 from the prior year due to using the decrease in the Statewide Per Capita
- 68 Personal Income of -2.54% in combination with the .96% county population
- 69 growth rate.
- 70 The Fiscal Year 10-11 final appropriations of \$5,517,861 are the portion that is
- 71 funded from proceeds of taxes and are subject to the limit. This amount is
- 72 \$11,039,262 or 67% under the amended appropriation limit.
- 73 It is not unusual for cities to be significantly under the appropriations limit since
- 74 the State law was amended in 1990 to allow for more flexible annual adjustments
- 75 to the limit calculations.
- 76 FY 11-12 Appropriations Limit and Adopted Budget Appropriations Subject
- 77 To Limit
- 78 The appropriations limit for Fiscal Year 11-12 is \$17,137,342. This increased
- 79 from the prior year by an increase in the Statewide Per Capita Personal Income
- of 2.51% in combination with the .97% county population growth rate.
- The Fiscal Year 11-12 appropriations of \$5,770,615 are the portion that is funded
- from proceeds of taxes and are subject to the limit. This amount is \$11,366,727
- 83 or 66% under the appropriation limit.
- 84 Attached are summaries of the calculation formula for both years. Detailed
- 85 worksheets are available for review.
- 86 FISCAL IMPACT:
- None, since the Appropriations Limit is higher than the Appropriations subject to
- 88 Limit.

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90 ATTACHMENTS:

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- 92 1. Resolution amending the appropriations limit for FY's 09/10 and 10/11;
- 93 2. Resolution adopting the appropriations limit for FY 11/12;
- 94 3. Calculation Summary for FY 10-11:
- 95 4. Revisions to Appropriations Limit Worksheet for FY 10-11;
- 96 5. Annual Growth Factor Worksheet:
- 97 6. Calculation Summary for FY 11-12.

RESOLUTION NO. 2011-____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, AMENDING THE APPROPRIATIONS LIMIT FOR FISCAL YEARS 09-10 AND 10-11 AND THE FINAL APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEAR 10-11

1 WHEREAS, the people of California on November 6, 1979, added Article XIII-B 2 to the State Constitution placing various limitations on the appropriations of the State 3 and local governments: and 4 WHEREAS, the State Legislature adopted Chapters 1205 and 1342 of the 1980 5 Statutes which implemented Article XIII-B: and 6 WHEREAS, the people of California on June 5, 1990 amended Article XIII-B 7 effective July 1, 1990; and 8 WHEREAS, the provisions of the amendments have been interpreted by a 9 coalition of statewide organizations, and the organizations have issued through the 10 League of California Cities revised guidelines to recalculated the appropriations limit; 11 and 12 WHEREAS, the Government Code provides the process in which to calculate the 13 appropriations limit and requires cities to adopt a resolution setting the annual 14 appropriation limit; and 15 WHEREAS, the City of Calistoga has complied with the provisions of Article XIII-16 B in determining the amended appropriations limit for Fiscal Years 09-10 and 10-11; and 17 NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of 18 Calistoga that: 19 1. The annual adjustment factors used to calculate the FY 09-10 appropriations 20 limit shall be the change in non-residential assessed valuation percentage of 21 46.72% and January 2009 estimated change in County population 1.4% 22 2. The FY 09-10 amended appropriation limit shall be \$16,827,094; 23 3. The annual adjustment factors used to calculate the FY 10-11 appropriations 24 limit shall be the change in statewide per capita personal income percentage of -2.54% and January 2010 estimated change in County population .96%; 25 26 4. The FY 10-11 amended appropriation limit shall be \$16,557,123; 27 5. The FY 10-11 final appropriations subject to the appropriation limit is 28 \$5,517,861. 29 30 PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this 20th of September, 2011 following vote: 31 32 33 AYES: 34 NOES: 35 ABSTAIN/ABSENT: 36 37 38 39 40 41 **JACK GINGLES, Mayor** 42 ATTEST: 43 44 45 SUSAN SNEDDON, City Clerk

RESOLUTION NO. 2011-____

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 11-12 AND THE APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEAR 11-12

1 2 3	WHEREAS, the people of California on November 6, 1979, added Article XIII-B to the State Constitution placing various limitations on the appropriations of the State and local governments; and					
4 5	WHEREAS, the State Legislature adopted Chapters 1205 and 1342 of the 1980 Statutes which implemented Article XIII-B; and					
6 7	WHEREAS, the people of California on June 5, 1990 amended Article XIII-B effective July 1, 1990; and					
8 9 10 11	WHEREAS, the provisions of the amendments have been interpreted by a coalition of statewide organizations, and the organizations have issued through the League of California Cities revised guidelines to recalculated the appropriations limit, and					
2 3 4	WHEREAS, the Government Code provides the process in which to calculate the appropriations limit and requires cities to adopt a resolution setting the annual appropriation limit; and					
5 6	WHEREAS, the City of Calistoga has complied with the provisions of Article XIII-B in determining the appropriations limit for Fiscal Year 11-12; and					
7 8	NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Calistoga that:					
19 20 21	 The annual adjustment factors used to calculate the FY 11-12 appropriations limit shall be the change in statewide per capita personal income percentage of 2.51% and January 2011 estimated change in County population .97%; 					
22	2. The FY 11-12 appropriation limit shall be \$17,137,342;					
23 24 25	 The FY 11-12 final appropriations subject to the appropriation limit is \$5,770,615. 					
26 27 28	PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this 20 th of September, 2011 following vote:					
29	AYES:					
30	NOES:					
31	ABSTAIN/ABSENT:					
32						
33						
33 34 35	JACK GINGLES, Mayor					
36 37 38	ATTEST:					
39	SUSAN SNEDDON, City Clerk					

City of Calistoga Appropriations Limit Calculation Summary Fiscal Year 10-11 Final Budget

Prior Year Revised Appropriation Limit - Revised

\$ 16,827,094

Allowed Compounded Percentage Increase from Prior Year (1)

Statewide Per Capita Personal Income -2.540%
County Population Growth From January 2009 to 2010 State Dept of Finance 0.960%
Compounded Percentage as an Adjustment Factor -1.604%

Annual Adjustment Amount to Appropriation Limit

(269,971)

Current Year Appropriation Limit - Revised

16,557,123

Current Year Adopted Budget Appropriations From Proceeds of Taxes (2)

Proceeds of Taxes From Adopted Budget (3)

Less Allowable Exclusion of Certain Appropriations (3)

5,851,330

(333,469)

Current Year Appropriations Subject to Appropriation Limit

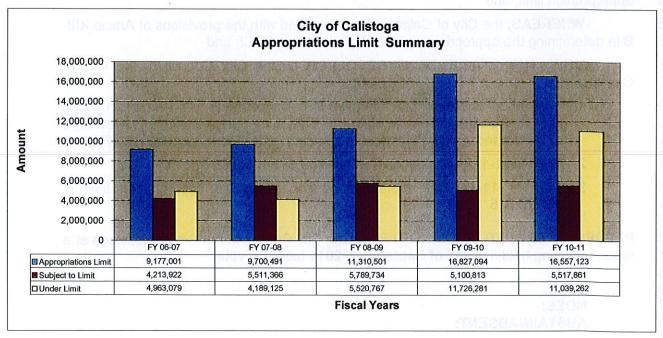
5,517,861

(11,039,262)

Current Year Appropriations Under the Appropriation Limit (3)

Percentage Under the Limit

-67%



- (1) From State Department of Finance, as required by State Law
- (2) Proceeds of Taxes are certain revenues as defined by State Law and League of California Cities Article XIIIB Appropriations Limit Uniform Guidelines March 1991. See Worksheets for details,
- (3) Summary of worksheets for above calculations of Appropriations Limit and Appropriations Subject to Limit.

Summary of Appropriations From Proceeds of Taxes	From Non Proceeds of Taxes	From Proceeds of Taxes	Total Appropriations	
General Fund	926,6	93 5,724,480	6,651,173	
Special Revenue Funds	709,4	47 126,850	836,297	
Enterprise Funds	5,221,3	64 -	5,221,364	
Debt Service Fund	677,8	99 -	677,899	
Total Proceeds and Non Proceeds of Taxes	7,535,4	03 5,851,330	13,386,733	

Total Proceeds and Non Proceeds of Taxes	7,535,403
Summary of Exclusions	
Court Order Costs	(4)
Federal Mandates	333,469
Qualified Capital Equipment	
Qualified Debt Service	-
Total Exclusions to Appropriations Subject to Limit	333,469

City of Calistoga APPROPRIATIONS LIMIT CALCULATION SCAI Year 10-11 Final Budget

Appropriations Limit Calculation

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Device of EV 00 40 Accessed allows 17 16		Adopted Appr	opriations Limit Calculations
Revised FY 09-10 Appropriations Limit Prior Year Adopted Appropriations Limit Revised Growth Factors Percent Change in:	11,310,501	11,310,501	•
Non-Residential Assessed Valuation Growth from FY 07-08 to 08-09	46.720%	-5.07%	Used Total Assessed Value Change which is not specified in State Guidelines
County Population Growth From January 2008 to 2009 State Dept of Finance	ce 1.40%	0.66%	Unknown, estimate is not from State Dept of Finance
Compounded Total Percentage Adjustment Factor	48.774%	-4.41%	Subtracted instead of compounded per State Guidelines
Total Revised Annual Change Adjustments to Limit	5,516,593	(498,680)	•
Revised FY 09-10 Appropriations Limit	16,827,094	10,811,821	
Povisod EV 10 11 Appropriations Limit			
Revised FY 10-11 Appropriations Limit			
Prior Year Revised Appropriations Limit Revised Growth Factors Percent Change in	16,827,094	10,811,821	
Statewide Per Capita Personal Income	-2.540%	-7.00%	Used Total Assessed Value Change which is not specified in State Guidelines
County Population Growth From January 2009 to 2010 State Dept of	0.96%	0.34%	Unknown, estimate is not from State Dept of Finance
mpounded Total Percentage Adjustment Factor	-1.604%	-6.66%	Subtracted instead of compounded per State Guidelines
Total Revised Annual Change Other Adjustments to Limit (see detail worksheets) Reduction In Limit	(269,971)	(720,067)	•
Loss of Responsibility	0	0	
Transfer of Services to Private Sector Transfer of Services to Fees Increase in Limit	0	0	
Assumed Responsibility of Services	0	0	
Total Adjustments to Limit	<u>\$ -</u>	\$ -	
Revised FY 10-11 Appropriations Limit	16,557,123	10,091,754	•

City of Calistoga

APPROPRIATIONS LIMIT CALCULATION

Population and Growth Factors (Worksheet #5 of Guidelines)

Fiscal Year 11-12 Adopted Budget

	Percent Change Indicies [1]		Percent Change in Population [1]			
Appropriation Limit Fiscal Year	Per Capita Personal Income [2]	Annual Non- Residential Assessed Valuation Growth to Total Growth [3]	City	County	Allowed Annual Percent Growth in Appropriations Limit	Appropriations Limit Amount [4]
FY 99-00	4.53	0.31	0.62	1.23	105.81572%	4,625,564
FY 00-01	4.91	N/A	1.64	2.92	107.97022%	4,994,232
FY 01-02	7.82	5.90	-0.10	0.76	108.63943%	5,425,705
FY 02-03	-1.27	3.04	-0.32	1.09	104.16314%	5,651,585
FY 03-04	2.31	5.34	0.06	1.34	106.75156%	6,033,154
FY 04-05	3.28	22.66	-1.07	1.15	124.07059%	7,485,370
FY 05-06	5.26	10.31	0.42	1.17	111.60063%	8,353,720
FY 06-07	3.96	8.66	0.90	1.10	109.85526%	9,177,001
FY 07-08	4.42	2.10	0.95	1.23	105.70437%	9,700,491
FY 08-09	4.29	15.34	0.84	1.09	116.59721%	11,310,501
FY 09-10	0.62	46.72	1.02	1.40	148.77408%	16,827,094
FY 10-11	-2.54	-4.51	0.66	0.96	98.39562%	16,557,123
FY 11-12	2.51	-6.52	0.72 0.97		103.50435%	17,137,342

^[1] From State Department of Finance per Article XIII B of the California Constitution every. May 1st for following Fiscal Year Appropriations Calculation. A 1991 amendment to Article XIII-B dropped use of the CPI and allowed for revising limit with PCI or Growht in non-residential assessed valuation and City or County population growth factors back to FY 87-88. The City may selection by resolution the growth factors to be used to calculate the annual Appropriations Limit. The **Bold type** indicate Factor used in calculation for the individual Fiscal Year.

^[2] Per Capita Personal Income - California 4th Quarter - Calculated by State Department of Finance

^[3] Determination of the annual growth in non-residential assessed valuation is from information provided by the Napa County Assessor's office and calculated by HdL Consultants to the City after FY 00-01. Application of the persent change in non-residential valuation is from the prior fiscal year change. For example the percent change applied in FY 09-10 of 46.72% was the change in non-residential valuation in FY 07-08 to 08-09.

^[4] Appropriations Limit calculation has been revised to correct factors and mathematical calculations in FY 09-10 and 10-11

City of Calistoga Appropriations Limit Calculation Summary

Fiscal Year 11-12 Adopted Budget

Prior Year Revised Appropriation Limit

16,557,123

Allowed Compounded Percentage Increase from Prior Year (1)

Statewide Per Capita Personnal Income 2.510% County Population Growth From January 2010 to 2011 State Dept of Finance 0.970% Compounded Percentage as an Adjustment Factor 3.504%

Annual Adjustment Amount to Appropriation Limit

580,219

Current Year Appropriation Limit

17,137,342

Current Year Adopted Budget Appropriations From Proceeds of Taxes (2)

Proceeds of Taxes From Adopted Budget (3) Less Allowable Exclusion of Certain Appropriations (3)

6,088,691 (318,076)

Current Year Appropriations Subject to Appropriation Limit

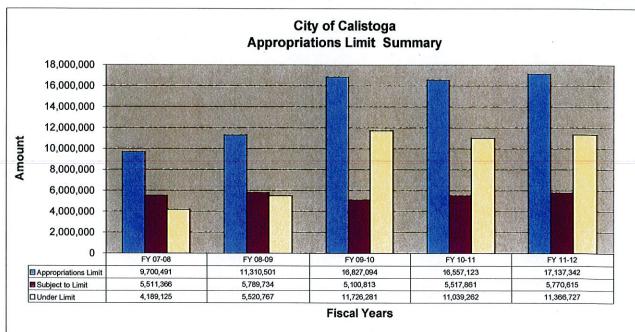
5,770,615

(11,366,727)

Current Year Appropriations Under the Appropriation Limit (3)

-66%

Percentage Under the Limit



⁽¹⁾ From State Department of Finance, as required by State Law

(2) Proceeds of Taxes are certain revenues as defined by State Law and League of California Cities Article XIIIB Appropriations Limit Uniform Guidelines - March 1991. See Worksheets for details.

Summary of Appropriations From Proceeds of Taxes	From Non Proceeds of Taxes	From Proceeds of Taxes	Total Appropriations	
General Fund	460,60	3 5,961,841	6,422,444	
Special Revenue Funds	570,92	22 126,850	697,772	
Enterprise Funds	9,293,97	73 -	9,293,973	
Debt Service Fund	649,48	34 -	649,484	
Total Proceeds and Non Proceeds of Taxes	10,974,98	6,088,691	17,063,673	
Summary of Exclusions	T			
Court Order Costs				

Federal Mandates 318.076 Qualified Capital Equipment Qualified Debt Service Total Exclusions to Appropriations Subject to Limit 318,076