

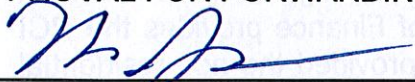
City of Calistoga

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Staff Report

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.

BACKGROUND:

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.

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

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.

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

45 **Adjustments needed to Appropriations Limit calculation**

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

51 By using the correct factors the appropriations limit in FY 09-10 increased from
52 \$10,811,821 to \$16,827,094. The revised FY 10-11 limit is also adjusted from
53 \$10,091,754 to \$16,557,123.

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

59 **FY 10-11 Amended Appropriations Limit and Final Budget Appropriations 60 Subject To Limit**

61 The Fiscal Year 09-10 appropriations limit for the City has been amended to use
62 the correct non-residential assessed valuation percent change of 46.7% and the
63 County population growth of 1.4%. The significant increase was primarily due to
64 the Solage development. These factors increased the appropriations limit by
65 56% to \$16,827,094.

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
80 of 2.51% in combination with the .97% county population growth rate.

81 The Fiscal Year 11-12 appropriations of \$5,770,615 are the portion that is funded
82 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:**

87 None, since the Appropriations Limit is higher than the Appropriations subject to
88 Limit.

89
90 **ATTACHMENTS:**

- 91
- 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.

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⁾ | 5,851,330 |
| Less Allowable Exclusion of Certain Appropriations ⁽³⁾ | (333,469) |

Current Year Appropriations Subject to Appropriation Limit

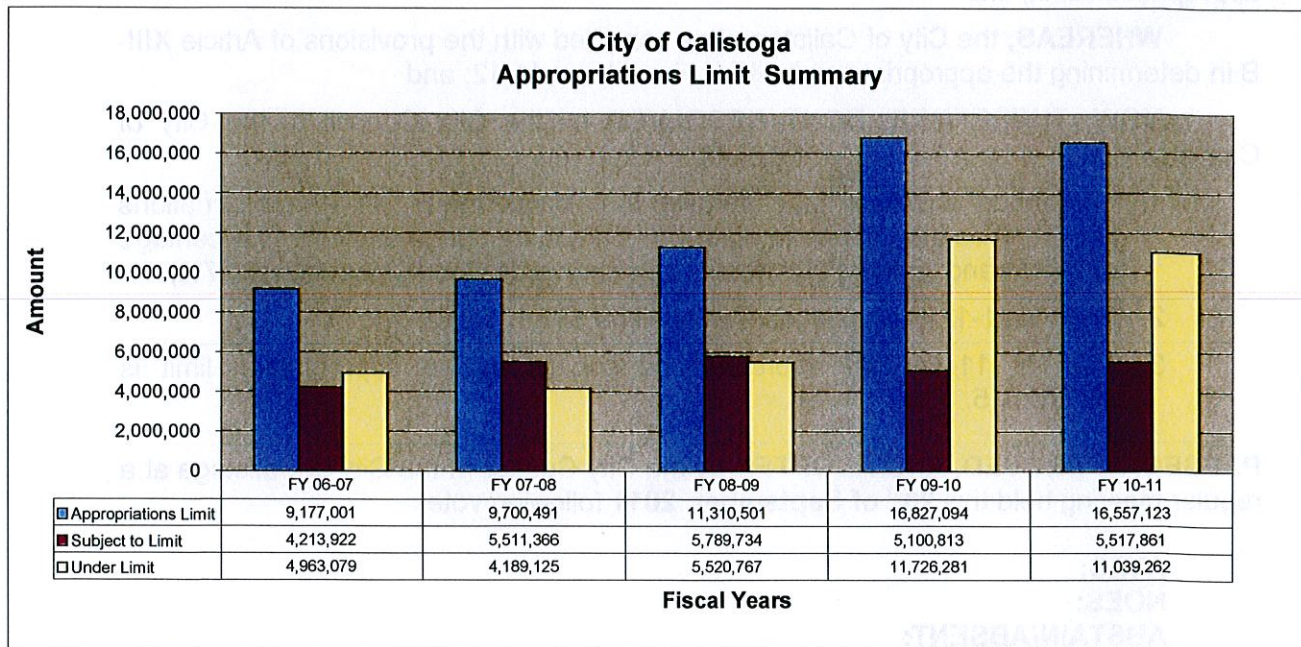
5,517,861

Current Year Appropriations Under the Appropriation Limit ⁽³⁾

\$ (11,039,262)

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 XIII B 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 | | 926,693 | 6,651,173 |
| Special Revenue Funds | | 709,447 | 836,297 |
| Enterprise Funds | | 5,221,364 | 5,221,364 |
| Debt Service Fund | | 677,899 | 677,899 |
| Total Proceeds and Non Proceeds of Taxes | | 7,535,403 | 13,386,733 |
| Summary of Exclusions | | | |
| Court Order Costs | | - | |
| 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

| |
|---|
| Population and Growth Factors (Worksheet #5 of Guidelines) |
|---|

Fiscal Year 11-12 Adopted Budget

| Appropriation Limit Fiscal Year | Percent Change Indices [1] | | Percent Change in Population [1] | | Allowed Annual Percent Growth in Appropriations Limit | Appropriations Limit Amount [4] |
|------------------------------------|--------------------------------------|--|-------------------------------------|--------|--|------------------------------------|
| | Per Capita Personal Income [2] | Annual Non- Residential Assessed Valuation Growth to Total Growth [3] | City | County | | |
| 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 Growth 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.

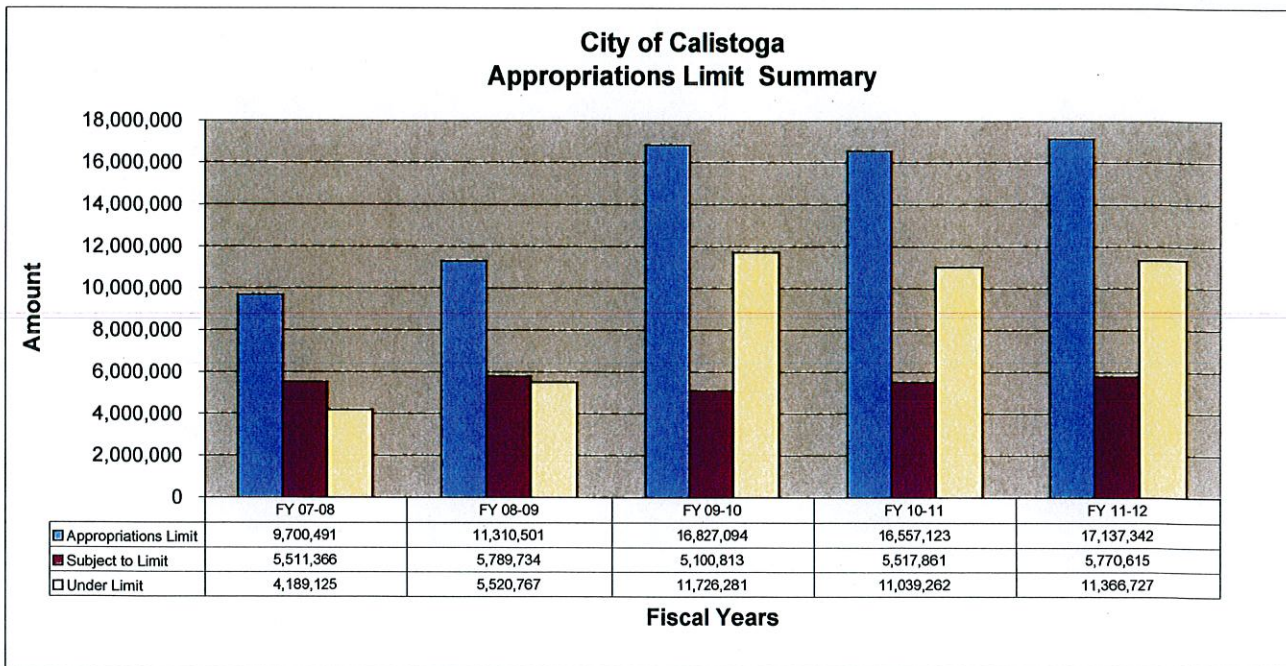
[2] Per Capita Personal Income - California 4th Quarter - Calculated by State Department of Finance

[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 percent 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 Personal 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⁾ | 6,088,691 |
| Less Allowable Exclusion of Certain Appropriations ⁽³⁾ | (318,076) |
| Current Year Appropriations Subject to Appropriation Limit | 5,770,615 |
| Current Year Appropriations Under the Appropriation Limit ⁽³⁾ | \$ (11,366,727) |
| Percentage Under the Limit | -66% |



(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 XIII B 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 | | 460,603 | 6,422,444 |
| Special Revenue Funds | | 570,922 | 697,772 |
| Enterprise Funds | | 9,293,973 | 9,293,973 |
| Debt Service Fund | | 649,484 | 649,484 |
| Total Proceeds and Non Proceeds of Taxes | | 10,974,982 | 17,063,673 |
| Summary of Exclusions | | | |
| Court Order Costs | | - | |
| Federal Mandates | | 318,076 | |
| Qualified Capital Equipment | | - | |
| Qualified Debt Service | | - | |
| Total Exclusions to Appropriations Subject to Limit | | 318,076 | |

