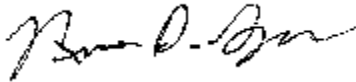


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Admin. Services Director/City Treasurer
DATE: June 19, 2012
SUBJECT: Appropriations Limit for Fiscal Year 2012-13 Budget

APPROVAL FOR FORWARDING:



Richard Spitler, City Manager

1 **ISSUE:** To consider a Resolution adopting the Fiscal Year 2012-13 appropriation
 2 limit.

3
 4 **RECOMMENDATION:** To adopt Resolution.

5
 6 **BACKGROUND:**

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 8 State law requires the City to set an appropriation limit. The limit is based on
 9 appropriations (formal authorization by the City Council to spend funds) only from
 10 proceeds of taxes, as defined by the law and statewide reporting guidelines. The
 11 appropriations limit amount is increased each year by a formula that uses a combination
 12 of percent changes in the Statewide Per Capita Income (PCI), City or County Population
 13 and Non-residential assessed valuation.

14
 15 In November 1979, the people of California added Article XIII-B to the State
 16 Constitution, which placed limitations on the appropriations of State and local
 17 governments. In June 1990, the people approved Proposition 111, which, among other
 18 things, amended the Article XIII-B. The amendment created a new base year of FY 86-
 19 87, allowed annual increases based on the City or County population growth and
 20 assessed valuation growth of non-residential property, provides for exclusion of capital
 21 expenditures over \$100,000 and requires an annual independent auditor review of the
 22 calculations. Statewide reporting guidelines were developed to define and implement
 23 the changes and establish the annual audit requirements.

24

25 The City's appropriation limit and the appropriations subject to limit are calculated based
26 on the statewide reporting guidelines and are reviewed by the independent auditor for
27 compliance with the State law and guidelines. The appropriations limit has increased
28 significantly since 1987 by applying the higher of County or City population growth rates
29 and the percentage of non-residential assessed valuation growth. The State
30 Department of Finance provides the PCI and population growth rates. The County
31 Assessor provided the non-residential assessed valuation information.

32

33 In reviewing the statewide reporting guidelines and best practices in other Cities, it has
34 become practice in recent years to perform a year end update of the appropriations
35 subject to limit. This is done to determine if there have been any significant changes in
36 appropriations from the initial budget adoption.

37

38 **FY 12-13 Appropriations Limit**

39

40 The Fiscal Year 12-13 appropriations limit for the City is \$25,517,117. This limit
41 increased from the prior year for two reasons: 1) .77% increase for the County
42 population growth rate and 2) 47.76% increase from the prior year primarily due to a FY
43 2011/12 increase in taxable values for the City due to non-residential new construction
44 as a percentage of the total taxable value increase (as of the 2011 lien year roll date).
45 This percentage may be used as an alternative to the change in California per-capita
46 personal income for calculating a taxing agency's annual adjustment of its Appropriation
47 Limit pursuant to Article XIII B of the State Constitution as Amended by Proposition 111
48 in June 1990.

49

50 The Fiscal Year 12-13 appropriations of \$6,010,898 are the portion that is funded from
51 proceeds of taxes and is subject to the limit. This amount is \$19,506,219 or 76% under
52 the appropriation limit.

53

54 Attached to this report is a summary of the calculation formula. Detailed worksheets are
55 available for review.

56

57 It is not unusual for cities to be significantly under the appropriations limit since the
58 State law was amended in 1990 to allow for more flexible annual adjustments to the
59 limit calculations.

60

61 **FISCAL IMPACT:**

62

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

64

65 **ATTACHMENTS:**

66

- 67 1. Resolution Adopting the Appropriations Limit for Fiscal Year 12-13.
- 68 2. Calculation Summary for Fiscal Year 12-13
- 69 3. Annual Growth Factor Worksheet
- 70 4. Department of Finance Price and Population Letter Dated May 2012