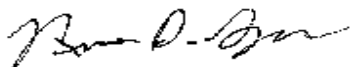# City of Calistoga

Staff Report

TO: Honorable Mayor and City Council

FROM: Gloria Leon, Admin. Services Director/City Treasurer

DATE: June 18, 2013

SUBJECT: Appropriations Limit for Fiscal Year 2013-14 Budget

APPROVAL FOR FORWARDING:

Richard Spitler, City Manager

1 **ISSUE:** Consideration of a Resolution adopting the Fiscal Year 2013-14 appropriation
2 limit.
3
4 **RECOMMENDATION:** Adopt Resolution.
5
6 **BACKGROUND:**   State law requires the City to set an appropriation limit. The limit is
7 based on appropriations (formal authorization by the City Council to spend funds) only
8 from proceeds of taxes, as defined by the law and statewide reporting guidelines. The
9 appropriations limit amount is increased each year by a formula that uses a combination
10 of percent changes in the Statewide Per Capita Income (PCI), City or County Population
11 and Non-residential assessed valuation.
12
13 In November 1979, the people of California added Article XIII-B to the State
14 Constitution, which placed limitations on the appropriations of State and local
15 governments. In June 1990, the people approved Proposition 111, which, among other
16 things, amended the Article XIII-B. The amendment created a new base year of FY 86-
17 87, allowed annual increases based on the City or County population growth and
18 assessed valuation growth of non-residential property, provides for exclusion of capital
19 expenditures over $100,000 and requires an annual independent auditor review of the
20 calculations. Statewide reporting guidelines were developed to define and implement
21 the changes and establish the annual audit requirements.
22
23 The City's appropriation limit and the appropriations subject to limit are calculated based
24 on the statewide reporting guidelines and are reviewed by the independent auditor for

25 compliance with the State law and guidelines. The appropriations limit has increased
26 significantly since 1987 by applying the higher of County or City population growth rates
27 and the percentage of non-residential assessed valuation growth. The State
28 Department of Finance provides the PCI and population growth rates. The County
29 Assessor provided the non-residential assessed valuation information.
30
31 In reviewing the statewide reporting guidelines and best practices in other Cities, it has
32 become practice in recent years to perform a year end update of the appropriations
33 subject to limit. This is done to determine if there have been any significant changes in
34 appropriations from the initial budget adoption.
35
36 **FY 13-14 Appropriations Limit**
37
38 The Fiscal Year 13-14 appropriations limit for the City is $31,561,769. This limit
39 increased from the prior year for two reasons: 1) .47% increase for the County
40 population growth rate and 2) 23.11% increase from the prior year primarily due to a FY
41 2012/13 increase in taxable values for the City due to non-residential new construction
42 as a percentage of the total taxable value increase (as of the 2012 lien year roll date).
43 This percentage may be used as an alternative to the change in California per-capita
44 personal income for calculating a taxing agency's annual adjustment of its Appropriation
45 Limit pursuant to Article XIIIB of the State Constitution as Amended by Proposition 111
46 in June 1990.
47
48 The Fiscal Year 13-14 appropriations of $6,508,997 are the portion that is funded from
49 proceeds of taxes and is subject to the limit. This amount is $25,052,773 or 79% under
50 the appropriation limit.
51
52 Attached to this report is a summary of the calculation formula. Detailed worksheets are
53 available for review.
54
55 It is not unusual for cities to be significantly under the appropriations limit since the
56 State law was amended in 1990 to allow for more flexible annual adjustments to the
57 limit calculations.
58
59 **FISCAL IMPACT:** None, since the Appropriations Limit is higher than the
60 Appropriations subject to Limit.
61
62 **ATTACHMENTS:**
63
64 1.   Resolution Adopting the Appropriations Limit for Fiscal Year 13-14.
65 2.   Calculation Summary for Fiscal Year 13-14
66 3.   Annual Growth Factor Worksheet
67 4.   Department of Finance Price and Population Letter Dated May 2013