

City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: Gloria Leon, Admin. Services Director/City Treasurer
DATE: June 21, 2016
SUBJECT: Appropriations Limit for Fiscal Year 2016-17 Budget

APPROVAL FOR FORWARDING:



Dylan Feik, City Manager

1 **ISSUE:** Consideration of a Resolution adopting the Fiscal Year 2016-17 appropriation
 2 limit.

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 4 **RECOMMENDATION:** Adopt Resolution.

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 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 16-17 Appropriations Limit**

37
38 The Fiscal Year 16-17 appropriations limit for the City is \$39,594,418. This limit
39 increased from the prior year for two reasons: 1) 2.57% increase for the City population
40 growth rate and 2) 6.28% increase from the prior year primarily due to a FY 2016/17
41 increase in taxable values for the City due to non-residential new construction as a
42 percentage of the total taxable value increase (as of the 2015 lien year roll date). This
43 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 XIII B of the State Constitution as Amended by Proposition 111
46 in June 1990.

47
48 The Fiscal Year 16-17 appropriations of \$11,055,034 are the portion that is funded from
49 proceeds of taxes and is subject to the limit. This amount is \$28,539,384 or 72% under
50 the appropriation limit.

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

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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.

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59 **FISCAL IMPACT:** None, since the Appropriations Limit is higher than the
60 Appropriations subject to Limit.

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62 **ATTACHMENTS:**

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64 1. Resolution Adopting the Appropriations Limit for Fiscal Year 16-17.
65 2. Calculation Summary for Fiscal Year 16-17
66 3. Annual Growth Factor Worksheet

- 67 4. Department of Finance Price and Population Letter Dated May 2016

RESOLUTION NO. 2016-XXX

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE APPROPRIATION LIMIT FOR FISCAL YEAR 16-17 AND THE APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEAR 16-17

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

WHEREAS, the State Legislature adopted Chapters 1205 and 1342 of the 1980 Statutes which implemented Article XIII-B; and

WHEREAS, the people of California on June 5, 1990 amended Article XIII-B effective July 1, 1990; and

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 recalculate the appropriations limit; and

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

WHEREAS, the City of Calistoga has complied with the provisions of Article XIII-B in determining the appropriations limit for Fiscal Year 16-17; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Calistoga that:

1. The annual adjustment factors used to calculate the FY 16-17 appropriations limit shall be the change in non-residential assessed valuation percentage 6.28% and January 2016 City population 2.57%.
2. The FY 16-17 appropriation limit shall be \$39,594,418.
3. The FY 16-17 final appropriations subject to the appropriation limit is \$11,055,034.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Calistoga at a regular meeting held this 21st of June, 2016 by the following vote:

- AYES:**
- NOES:**
- ABSTAIN:**
- ABSENT:**

CHRIS CANNING, Mayor

ATTEST:

KATHY FLAMSON, City Clerk