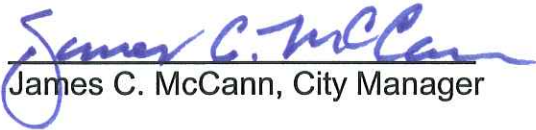


City of Calistoga

Staff Report

TO: Honorable Mayor and City Council
FROM: David W. Spilman, Administrative Services Director/City Treasurer
DATE: November 5, 2008
SUBJECT: Appropriations Limit for Fiscal Year 08-09 and Update of FY 07-08 Final Appropriations

APPROVAL FOR FORWARDING:


 James C. McCann, City Manager

1 **ISSUE:** To consider Resolution establishing the annual growth factors and
 2 adopting the appropriation limit for Fiscal Year 08-09 and update prior Fiscal Year 07-08
 3 with final appropriations.
 4

5 **RECOMMENDATION:** To adopt Resolution.
 6

7 **BACKGROUND:**
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9 State law requires the City to set an appropriation limit. The limit is based on
 10 appropriations (formal authorization by the City Council to spend funds) only from
 11 proceeds of taxes, as defined by the law and statewide reporting guidelines. The
 12 appropriations limit amount is increased each year by a formula that uses a combination
 13 of percent changes in the Statewide Per Capita Income (PCI), City or County Population
 14 and Non-residential assessed valuation.
 15

16 In November 1979, the people of California added Article XIII-B to the State
 17 Constitution, which placed limitations on the appropriations of State and local
 18 governments. In June 1990, the people approved Proposition 111, which, among other
 19 things, amended the Article XIII-B. The amendment created a new base year of FY 86-
 20 87, allowed annual increases based on the City or County population growth and
 21 assessed valuation growth of non-residential property, provides for exclusion of capital
 22 expenditures over \$100,000 and requires an annual independent auditor review of the
 23 calculations. Statewide reporting guidelines were developed to define and implement
 24 the changes and establish the annual audit requirements. Attached is a more detailed
 25 summary of the Appropriations limit process.
 26

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

34
35 In reviewing the statewide reporting guidelines and best practices in other Cities, it has
36 become practice in recent years to perform a year end update of the appropriations
37 subject to limit. This is done to determine if there have been any significant changes in
38 appropriations from the initial budget adoption that would exceed the adopted
39 appropriations limit. While Calistoga's appropriations subject to the limit are significantly
40 below the limit, it is appropriate to add this update to the review and adoption of the
41 subsequent year appropriation limit. Included in this year's review and adoption is an
42 update of the last fiscal year.

43 44 **FY 07-08 Final Appropriations Update**

45
46 The Fiscal Year 07-08 appropriations limit for the City was \$9,700,491. This limit
47 increased by approximately 5.7% from the prior year primarily due to growth in the
48 statewide per capita personal income (last used six years ago). The annual growth
49 factors are the statewide per capita personal income (4.42%) and January 2007 County
50 population change (1.23%).

51
52 The Fiscal Year 07-08 final appropriations were \$17.4 million. However only the portion
53 that is funded from proceeds of taxes are subject to the limit. The final budget
54 appropriations that are subject to the limit, less exclusions, were \$5,511,366. This
55 amount is \$4,189,125 or 43% under the appropriation limit.

56 57 **FY 08-09 Initial Appropriations Limit based on the Revised Budget Appropriations**

58
59 The Fiscal Year 08-09 appropriations limit for the City is \$11,310,501. This limit
60 increased by approximately 16.6% from the prior year due to significant growth in the
61 non residential assessed valuation from the Solage and other developments. The
62 annual growth factors are the non residential assessed valuation (15.34%) and January
63 2008 County population change (1.09%).

64
65 The Fiscal Year 08-09 revised appropriations are \$29.7 million. However only the
66 portion that is funded from proceeds of taxes are subject to the limit. The final budget
67 appropriations that are subject to the limit, less exclusions, are \$5,786,734. This
68 amount is \$5,523,767 or 49% under the appropriation limit.

69
70 It is not unusual for cities to be significantly under the appropriations limit since the
71 State law was amended in 1990 to allow for more flexible annual adjustments to the
72 limit calculations. Attached is one of the detail calculation worksheets that show the
73 changes in the appropriations limit since FY 79-80.

74

75 As required by State Law, detailed worksheets supporting the appropriation limit
76 calculations are available for review by the public at the City Clerk's Office.

77

78 Attached is a summary schedule of the appropriations limit calculations for both fiscal
79 years.

80

81 **FISCAL IMPACT:**

82

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

84

85 **ATTACHMENTS:**

86

87 1. Resolution Adopting the Appropriation Limit for Fiscal Year 08-09 and updating
88 Appropriations Limit for FY 07-08.

89 2. Summary of Calculations for Appropriation Limit for FY 07-08 and 08-09

90 3. Detail worksheet of Appropriations Limit Calculation

91 4. Summary of Appropriations Limit history and regulations