



# CITY OF CALISTOGA

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## STAFF REPORT

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**TO:** Honorable Mayor and City Council  
**FROM:** Gloria Leon, Administrative Services Director/City Treasurer  
**DATE:** June 18, 2019  
**SUBJECT:** Appropriations Limit for Fiscal Year 2019-20 Budget

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**Approved by:**

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**MICHAEL KIRN, Acting City  
Manager**

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**DESCRIPTION:** Consideration of a Resolution adopting the Fiscal Year 2019-20 appropriation limit.

**RECOMMENDATION:** Consider adopting resolution.

**BACKGROUND:** State law requires the City to set an appropriation limit. 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 Non-residential assessed valuation.

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 governments. In June 1990, the people approved Proposition 111, which, among other things, amended the Article XIII-B. The amendment created a new base year of FY 86-87, allowed annual increases based on the City or County population growth and assessed valuation growth of non-residential property, provides for exclusion of capital expenditures over \$100,000 and requires an annual independent auditor review of the calculations. Statewide reporting guidelines were developed to define and implement the changes and establish the annual audit requirements.

The City's appropriation limit and the appropriations subject to limit are calculated based on the statewide reporting guidelines and are reviewed by the independent auditor for

compliance with the State law and guidelines. The appropriations limit has increased significantly since 1987 by applying the higher of County or City population growth rates and the percentage of non-residential assessed valuation growth. The State Department of Finance provides the PCI and population growth rates. The County Assessor provided the non-residential assessed valuation information.

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

### **FY 19-20 Appropriations Limit**

The Fiscal Year 19-20 appropriations limit for the City is \$56,438,781. This limit increased from the prior year for two reasons: 1) 1.150% increase for the City population growth rate and 2) 9.550% increase from the prior year primarily due to a FY 2018/19 increase in taxable values for the City due to non-residential new construction as a percentage of the total taxable value increase (as of the 2018 lien year roll date). This percentage may be used as an alternative to the change in California per-capita personal income for calculating a taxing agency's annual adjustment of its Appropriation Limit pursuant to Article XIII B of the State Constitution as Amended by Proposition 111 in June 1990.

The Fiscal Year 19-20 appropriations of \$10,310,197 are the portion that is funded from proceeds of taxes and is subject to the limit. This amount is \$46,128,584 or 82% under the appropriation limit.

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

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

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

### **ATTACHMENTS:**

1. Resolution Adopting the Appropriations Limit for Fiscal Year 19-20.
2. Calculation Summary for Fiscal Year 19-20
3. Annual Growth Factor Worksheet
4. Department of Finance Price and Population Letter Dated May 2019

## RESOLUTION NO. 2019-XXX

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE APPROPRIATION LIMIT FOR FISCAL YEAR 19-20 AND THE APPROPRIATIONS SUBJECT TO LIMIT FOR FISCAL YEAR 19-20**

**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 19-20; 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 19-20 appropriations limit shall be the change in non-residential assessed valuation percentage 9.550% and January 2019 City population 1.15%.
2. The FY 19-20 appropriation limit shall be \$56,438,781.
3. The FY 19-20 final appropriations subject to the appropriation limit is \$10,310,197.

**PASSED, APPROVED, AND ADOPTED** by the City Council of the City of Calistoga at a regular meeting held this 18<sup>th</sup> of June 2019, by the following vote:

**AYES:**

**NOES:**

**ABSTAIN:**

**ABSENT:**

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**CHRIS CANNING, Mayor**

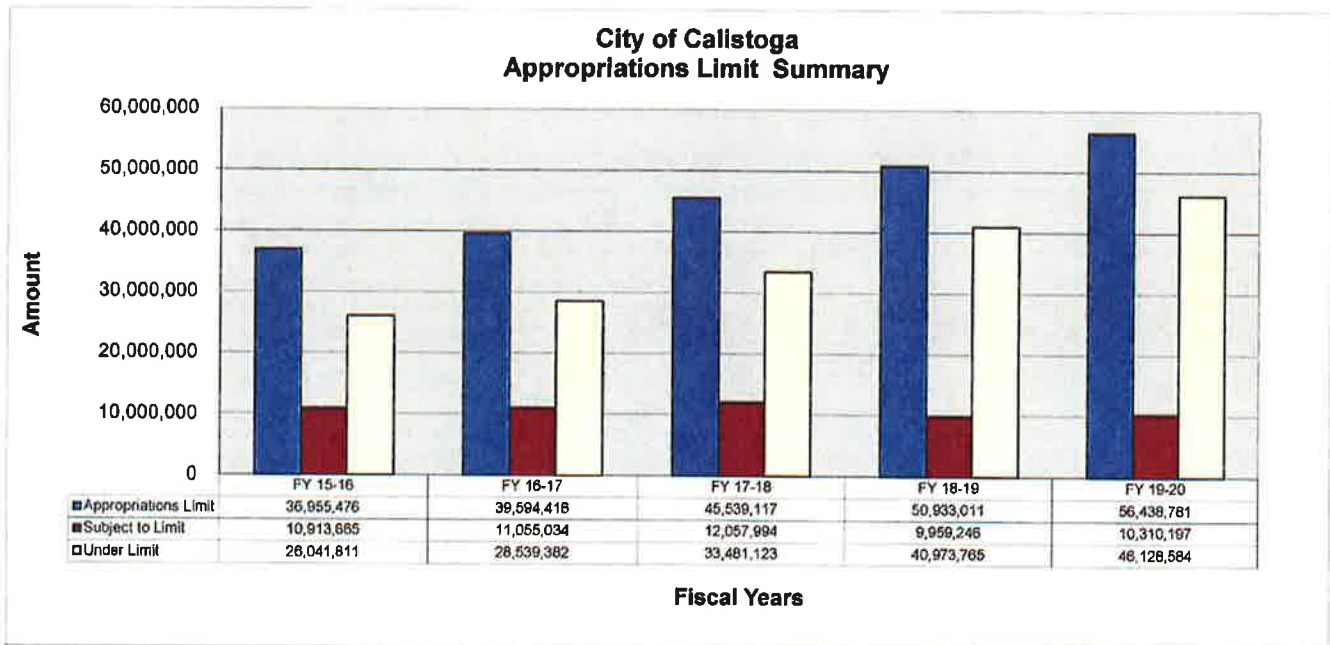
**ATTEST:**

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**IRENE CAMACHO-WERBY, City Clerk**

## City of Calistoga Appropriations Limit Calculation Summary Fiscal Year 19-20 Adopted Budget

|   |                        |
|---|------------------------|
| <b>Prior Year Appropriation Limit</b>   | <b>\$ 50,933,011</b>   |
| <b>Allowed Compounded Percentage Increase from Prior Year <sup>(1)</sup></b>            |                        |
| Non-Residential Assessed Valuation Growth from FY 18-19 to 19-20                        | 9.550%                 |
| County Population Growth From January 2018 to 2019 State Dept of Finance                | 1.150%                 |
| <b>Compounded Percentage as an Adjustment Factor</b>                                    | <b>10.810%</b>         |
| Annual Adjustment Amount to Appropriation Limit   | <b>5,505,769</b>       |
| <b>Current Year Appropriation Limit</b>   | <b>56,438,781</b>      |
| <b>Current Year Adopted Budget Appropriations From Proceeds of Taxes <sup>(2)</sup></b> |                        |
| Proceeds of Taxes From Adopted Budget <sup>(3)</sup>                                    | 11,263,768             |
| Less Allowable Exclusion of Certain Appropriations <sup>(3)</sup>                       | <b>(953,571)</b>       |
| <b>Current Year Appropriations Subject to Appropriation Limit</b>                       | <b>10,310,197</b>      |
| <b>Current Year Appropriations Under the Appropriation Limit <sup>(3)</sup></b>         | <b>\$ (46,128,584)</b> |
| <b>Percentage Under the Limit</b>   | <b>-82%</b>            |



(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 XIIIB 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   |                            | 2,776,073              | 13,101,434           |
| Special Revenue Funds                                      |                            | 546,802                | 1,489,009            |
| Enterprise Funds   |                            | 7,381,283              | 7,381,283            |
| Debt Service Fund  |                            | 373,902                | 373,902              |
| <b>Total Proceeds and Non Proceeds of Taxes</b>            |                            | <b>11,081,860</b>      | <b>22,345,828</b>    |
| <b>Summary of Exclusions</b>                               |                            |                        |                      |
| Court Order Costs  |                            | -                      |                      |
| Federal Mandates   |                            | 953,571                |                      |
| Qualified Capital Equipment                                |                            | -                      |                      |
| Qualified Debt Service                                     |                            | -                      |                      |
| <b>Total Exclusions to Appropriations Subject to Limit</b> |                            | <b>953,571</b>         |                      |

## City of Calistoga

## APPROPRIATIONS LIMIT CALCULATION

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

## Fiscal Year 19-20 Adopted Budget

| Appropriation<br>Limit Fiscal<br>Year | Percent Change Indices [1]           |  | Percent Change in<br>Population [1] |        | Allowed Annual<br>Percent Growth<br>in Appropriations<br>Limit | Appropriations<br>Limit Amount [4] |
|---------------------------------------|--------------------------------------|--|-------------------------------------|--------|--|------------------------------------|
|                                       | Per Capita<br>Personal<br>Income [2] | Annual Non-<br>Residential<br>Assessed<br>Valuation<br>Growth to Total<br>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                         |
| FY 12-13                              | 3.77                                 | 47.76  | 0.58                                | 0.77   | 148.89775%   | 25,517,117                         |
| FY 13-14                              | 5.12                                 | 23.11  | 0.25                                | 0.47   | 123.68862%   | 31,561,769                         |
| FY 14-15                              | -0.23                                | 9.90   | 0.29                                | 0.38   | 110.31762%   | 34,818,193                         |
| FY 15-16                              | 3.82                                 | 5.15   | 0.79                                | 0.94   | 106.13841%   | 36,955,476                         |
| FY 16-17                              | 5.37                                 | 6.28   | 2.57                                | 0.81   | 107.14087%   | 39,594,418                         |
| FY 17-18                              | 3.69                                 | 14.59  | 0.23                                | 0.37   | 115.01398%   | 45,539,117                         |
| FY 18-19                              | 3.67                                 | 11.51  | 0.30                                | -0.29  | 111.84453%   | 50,933,011                         |
| FY 19-20                              | 3.85                                 | 9.55   | 1.15                                | -0.11  | 110.80983%   | 56,438,781                         |

[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



GAVIN NEWSOM - GOVERNOR  
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2019

Dear Fiscal Officer:

**Subject: Price Factor and Population Information**

#### **Appropriations Limit**

California Revenue and Taxation Code section 2227 requires the Department of Finance to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2019, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2019-20. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2019-20 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

#### **Population Percent Change for Special Districts**

Some special districts must establish an annual appropriations limit. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The code section and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

#### **Population Certification**

The population certification program applies only to cities and counties. California Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2019.**

**Please Note:** The prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

KEELY BOSLER  
Director  
By:

Vivek Viswanathan  
Chief Deputy Director

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2019-20 appropriation limit is:

| Per Capita Personal Income |                                   |
|----------------------------|-----------------------------------|
| Fiscal Year (FY)           | Percentage change over prior year |
| 2019-20                    | 3.85                              |

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2019-20 appropriation limit.

**2019-20:**

Per Capita Cost of Living Change = 3.85 percent  
 Population Change = 0.47 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.85 + 100}{100} = 1.0385$

Population converted to a ratio:  $\frac{0.47 + 100}{100} = 1.0047$

Calculation of factor for FY 2019-20:  $1.0385 \times 1.0047 = 1.0434$

Fiscal Year 2019-20

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2018 to January 1, 2019 and Total Population, January 1, 2019**

| <b>County<br/>City</b> | <b>Percent Change</b> | <b>--- Population Minus Exclusions ---</b> |               | <b>Total<br/>Population</b> |
|------------------------|-----------------------|--|---------------|-----------------------------|
|                        | <b>2018-2019</b>      | <b>1-1-18</b>                              | <b>1-1-19</b> | <b>1-1-2019</b>             |
| Napa                   |                       |  |               |                             |
| American Canyon        | 0.00                  | 20,630                                     | 20,629        | 20,629                      |
| Calistoga              | 1.15                  | 5,391                                      | 5,453         | 5,453                       |
| Napa                   | -0.01                 | 79,495                                     | 79,490        | 79,490                      |
| St Helena              | 0.23                  | 6,119                                      | 6,133         | 6,133                       |
| Yountville             | -0.14                 | 2,098                                      | 2,095         | 2,916                       |
| Unincorporated         | -0.88                 | 25,133                                     | 24,911        | 26,158                      |
| County Total           | -0.11                 | 138,866                                    | 138,711       | 140,779                     |

\*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.