

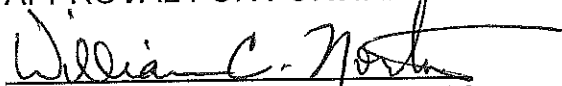
# City of Calistoga

## Staff Report

**TO:** Honorable Mayor and City Council  
**FROM:** William M. Mushallo, Admin. Services Director/City Treasurer  
**DATE:** June 29, 2010  
**SUBJECT:** Final Appropriations limit for Fiscal Year 2009-10 Budget

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**APPROVAL FOR FORWARDING:**

  
 William C. Norton, Interim City Manager

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1 **ISSUE:** To consider a Resolution adopting the final 2009-10 appropriation  
 2 limit.

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 4 **RECOMMENDATION:** To adopt Resolution.

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 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  
 12 combination of percent changes in the Statewide Per Capita Income (PCI), City  
 13 or County Population 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  
 18 other things, amended the Article XIII-B. The amendment created a new base  
 19 year of FY 86-87, allowed annual increases based on the City or County  
 20 population growth and assessed valuation growth of non-residential property,  
 21 provides for exclusion of capital expenditures over \$100,000 and requires an  
 22 annual independent auditor review of the calculations. Statewide reporting  
 23 guidelines were developed to define and implement the changes and establish  
 24 the annual audit requirements.

25  
 26 The City's appropriation limit and the appropriations subject to limit are calculated  
 27 based on the statewide reporting guidelines and are reviewed by the

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

34

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

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#### 40 **FY 09-10 Final Appropriations Update**

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42 The Fiscal Year 09-10 appropriations limit for the City was \$10,811,821. This  
43 limit decreased by approximately 4.4% from the prior year primarily due to a  
44 decrease in the assessed valuation change of property values.

45

46 The Fiscal Year 09-10 final appropriations were \$10.8 million. However only the  
47 portion that is funded from proceeds of taxes are subject to the limit. The final  
48 budget appropriations that are subject to the limit, less exclusions, were  
49 \$5,100,813. This amount is \$5,711,808 or 53% under the appropriation limit.

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

54

#### 55 **FISCAL IMPACT:**

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

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#### 60 **ATTACHMENTS:**

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62 1. Resolution updating Appropriations Limit for FY 09-10.

RESOLUTION NO. 2010-\_\_\_\_\_

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALISTOGA, COUNTY OF NAPA, STATE OF CALIFORNIA, ADOPTING THE FINAL APPROPRIATION LIMIT FOR FISCAL YEAR 09-10**

**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 recalculated 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**, it is appropriate to review prior year appropriation limits and update the calculations based on the final appropriations for the fiscal year; and

**WHEREAS**, the City of Calistoga has complied with the provisions of Article XIII-B in determining the appropriations limit for Fiscal Year 09-10; 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 09-10 appropriations limit shall be the change in Assessed Valuation Percentage (-5.07%) and January 2009 County population (0.66%).
2. The FY 09-10 appropriation limit shall be \$10,811,821.
3. The FY 09-10 final appropriations subject to the appropriation limit is \$5,100,813.

**PASSED, APPROVED, AND ADOPTED** by the City Council of the City of Calistoga at a special meeting held this 29th of December, 2010 following vote:

**AYES:**

**NOES:**

**ABSTAIN/ABSENT:**

\_\_\_\_\_  
**JACK GINGLES, Mayor**

**ATTEST:**

\_\_\_\_\_  
**SUSAN SNEDDON, City Clerk**

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## Summary of Appropriations History and Regulations

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117 State law requires the City to set an appropriation limit for each fiscal year. Only  
118 certain annual City budget appropriations from proceeds of taxes, as defined by  
119 the law and accepted statewide guidelines, are subject to the limit.

120

121 The appropriations limit amount is increased each year by a formula that uses a  
122 combination of percent changes in Consumer Price Index (CPI), Statewide Per  
123 Capita Income (PCI), City or County Population and Non-residential assessed  
124 valuation.

125

126 In November 1979, the people of California added Article XIII-B to the State  
127 Constitution, which placed limitations on the appropriations of State and local  
128 governments. The Article was implemented by State Legislation that defined the  
129 process to calculate the appropriations limit and require that cities adopted a  
130 resolution setting an annual appropriations limit. The base year was set as FY  
131 78-79 and the first appropriations limit was applied to the FY 80-81 Budget.

132

133 In June 1990, the people approved Proposition 111, which, among other things,  
134 amended the Article XIII-B. The amendment made significant changes to how  
135 the limits were calculated what appropriations were subject to the limit and added  
136 City Council resolution and independent audit requirements. Guidelines were  
137 developed by the League of California Cities to define and implement the  
138 changes and establish the annual audit requirements. These Guidelines have  
139 been accepted statewide for the implementation of Article XIII-B. The 1990  
140 changes included:

141

142 • Adjusted the appropriations limit of back to FY 86-87 based on the new  
143 criteria

144 • Eliminated use of the Consumer Price Index and allowed annual  
145 increases based on State Per Capita Income or assessed valuation  
146 growth of non-residential property

147 • Provided for the use of either the annual City or County population  
148 growth, whichever was higher

149 • Added exclusion of appropriations for certain capital expenditures over  
150 \$100,000 or the related debt payments

151 • Required annual adoption of the appropriations limit and other criteria  
152 for the adopted budget by City Council resolution, and

153 • Required an annual independent auditor review of the calculations

154

155 Adoption of the appropriations limit has been determined to be a legislative act of  
156 the City Council and the limit can be adjusted or updated to correct previous  
157 errors in calculations or reflect new appropriations. Generally, the required  
158 resolution is adopted with or just after the annual budget resolution and reflects  
159 the amounts from the adopted budget. Current practice is to provide an update

June 29, 2010 Special Council Staff Report  
Subject: Final Appropriations limit for Fiscal Year 2009-10 Budget

160 to the appropriations limit of prior years with the actual final appropriations to  
161 insure that the City did not exceed the appropriations limit.

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163 There are no penalties under Article XIII-B for failure to adopt a limit.  
164 Compliance with the law is intended to be locally enforced by citizens. The State  
165 Government Code limits challenges in civil court to the appropriations limit  
166 calculation to a 45-day period after adoption.

167  
168 Under State law, if the portion of the City Budget that is subject to the  
169 appropriations limit exceeds the limit, the City can carry over the excess amount  
170 one year. If, after the second year, the City still exceeds the limit, including the  
171 prior year carryover, the voters can approve a temporary override or the City  
172 would need to refund the excess amount to the people by lowering taxes or fees  
173 within two years.

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175 Redevelopment Agencies, Special Assessment Districts and Enterprise funds  
176 are not subject to the provisions of Article XIII-B.  
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