



## REPORT TO CITY COUNCIL

Approved by:

*Susan O'Hara*

Department Director

*Arnoldo Rodriguez*

Arnoldo Rodriguez, City Manager

Council Meeting of: July 17, 2019

Agenda Number: B-3

### SUBJECT:

Consideration of a Resolution Establishing Appropriations Limit for Fiscal Year 2019/2020

### RECOMMENDATION:

After review and consideration of the information presented in this calculation, Staff recommends that the City Council (Council) adopt the resolution establishing an Appropriations Limit for Fiscal Year 2019/2020.

### SUMMARY:

State law requires the City of Madera (City) set an Appropriations Limit (also known as the "Gann Limit") after budget adoption each fiscal year, in accordance with Section 1.5 of Article XIII B of the California Constitution. The Appropriations Limit 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 the City non-residential assessed valuation. The factors can be used in combination to provide the greatest increase or least decrease in the annual Appropriations Limit. The State Department of Finance provides the PCI and population growth rates. The County Assessor provides the non-residential assessed valuation information.

### DISCUSSION:

The Appropriations Limit creates a restriction on the amount of government revenue which may be appropriated in any fiscal year. An appropriation is a formal authorization by the City Council to spend funds and the limit only applies to appropriations that are "proceeds of taxes", as defined by the law and statewide reporting guidelines. The limit is based on actual appropriations during the base year of 1986-87 and increases each year using specified growth factors. Appropriations for debt service and capital outlay are excluded from the calculation. The Fiscal Year 2018/2019 Appropriations Limit shows an increase from the prior year due to a rise in the Statewide PCI of 3.85 percent in combination with a 1.14 percent increase in the City's population growth rate. This resulted in a combined increase of 5.03 percent.

The Fiscal Year 2019/2020 Article XIII B Appropriations Limit Calculation Worksheets and supporting documents are included as Exhibit A.

**FINANCIAL IMPACT:**

The Appropriations Limit for Fiscal Year 2019/2020 has been calculated to be \$44,436,680. This represents the maximum amount of appropriations from tax proceeds that can be budgeted by the City for the current fiscal year. Budgeted appropriations subject to limitation are determined to be \$26,343,460, as shown on Exhibit A, Worksheet #1. This represents the appropriations from tax proceeds approved in the Fiscal Year 2019/2020 budget. The current year budgeted appropriations are approximately 60 percent of the allowable limit, indicating that the City's approved budget is well within the limits set by State law.

**CONSISTENCY WITH THE VISION MADERA 2025 PLAN:** Adopting the Appropriations Limit for the City is not addressed in the vision or action plans. The requested action is also not in conflict with any of the actions or goals contained in those plans.

**ATTACHMENTS:**

1. Resolution
2. Worksheet
3. Department of Finance Letter

CITY OF MADERA  
ARTICLE XIII B APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #1  
FOR THE 2019/2020 FISCAL YEAR

		<u>Reference Document</u>
Proceeds of Taxes:	\$ 26,933,638	
Exclusions:	<u>590,178</u>	
Appropriations Subject to Limit:	\$ 26,343,460	Worksheet #2
Current Limit:	<u>\$ 44,436,680</u>	Worksheet #3
Amount Over (Under) Limit:	<u><u>\$(18,093,221)</u></u>	

CITY OF MADERA  
ARTICLE XIII B APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #3  
FOR THE 2019/2020 FISCAL YEAR

A.	Last Year's Appropriations Limit (Unadjusted)		\$ 42,306,993	
B.	Adjustment Factors	<u>% of Change</u>	<u>Factor</u>	<u>Source</u>
	1. Growth in City Population	1.14	1.0114	State Calculation
	2. California Per Capita Personal Income Growth	3.85	<u>1.0385</u>	State Calculation
	3. Adjustment Factor: (B1 x B2)			1.0503
				←
C.	Annual Adjustment Dollars: (A x B3) - A		<u>\$ 2,129,687</u>	
D.	2019/2020 Projected Appropriations Limit: (A + C)		<u><u>\$ 44,436,680</u></u>	

CITY OF MADERA  
ARTICLE XIII B APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #2  
FOR THE 2019/2020 FISCAL YEAR  
Summary of Tax Proceeds Revenue & Interest Allocation

	Non-Interest Revenues	Percent of Total	Interest Income Allocation	Total Tax Proceeds
<u>General Fund</u>				
Tax Proceeds Budgeted	\$ 26,735,675	29.77%	\$ 197,963	\$ 26,933,638
Non Tax Proceeds Budgeted	63,070,794	70.23%	467,004	
Total Revenues Budgeted	<u>\$ 89,806,469</u>	<u>100.00%</u>		
Total Interest Income Budgeted			<u>\$ 664,967</u>	
Exclusions:				
Debt Service				\$590,178
Total Tax Proceeds Budgeted:				<u>\$ 26,343,460</u>

**RESOLUTION NO. 19- \_\_\_\_\_**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF MADERA ADOPTING  
THE APPROPRIATIONS LIMIT FOR THE 2019/2020 FISCAL YEAR**

**WHEREAS**, Section 7910 of the California Government Code of the State of California provides that each year the governing body of each local jurisdiction shall, by resolution, establish its Appropriations Limit for the following fiscal year pursuant to Article XIII B of the Constitution; and

**WHEREAS**, at least fifteen (15) days prior to such adoption, notice of the proposed adoption of the Appropriations Limit and availability of the documentation used in making the determination of the Appropriations Limit was given within the City, which sum and documentation has been available to the public in the office of the Director of Finance; and

**WHEREAS**, the City Council has received evidence regarding the Appropriations Limit to be established for the City of Madera.

**NOW, THEREFORE, THE COUNCIL OF THE CITY OF MADERA** hereby resolves, finds, determines and orders as follows:

1. The above recitals are true and correct.
2. The Appropriations Limit for the City of Madera for the 2019/2020 fiscal year, as described in Article XIII B of the Constitution of the State of California and as determined pursuant to Sections 7900 to 7913 of the California Government Code is in the amount of Forty-four million, four hundred thirty-six thousand, six hundred eighty dollars (\$44,436,680).
3. The Council declares that the percentage change in California per capita personal income and the City of Madera annual percent change in population were used in calculating this Appropriations Limit.
4. This resolution is effective immediately upon adoption.

\* \* \* \* \*



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 City</b>	<b><u>Percent Change</u></b>	<b><u>--- Population Minus Exclusions ---</u></b>		<b><u>Total</u></b>
	<b>2018-2019</b>	<b>1-1-18</b>	<b>1-1-19</b>	<b>1-1-2019</b>
Madera				
Chowchilla	1.94	12,448	12,690	18,742
Madera	1.14	65,671	66,419	66,419
Unincorporated	0.97	73,663	74,375	74,375
County Total	1.12	151,782	153,484	159,536

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

Fiscal Year 2019-20

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

County	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>	
	2018-19	1-1-18	1-1-19
<b>Los Angeles</b>			
Incorporated	0.09	9,190,183	9,198,624
County Total	-0.01	10,245,275	10,244,542
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<b>Madera</b>			
Incorporated	1.27	78,119	79,109
County Total	1.12	151,782	153,484
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<b>Marin</b>			
Incorporated	-0.02	193,278	193,248
County Total	-0.01	258,566	258,540
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<b>Mariposa</b>			
Incorporated	0.00	0	0
County Total	-0.18	18,013	17,981
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<b>Mendocino</b>			
Incorporated	-0.49	29,378	29,233
County Total	-0.14	88,967	88,839
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<b>Merced</b>			
Incorporated	1.71	183,570	186,714
County Total	1.28	278,140	281,692
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<b>Modoc</b>			
Incorporated	1.10	2,725	2,755
County Total	0.11	9,511	9,521
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<b>Mono</b>			
Incorporated	-0.74	8,064	8,004
County Total	-0.82	13,595	13,484
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<b>Monterey</b>			
Incorporated	0.83	319,677	322,330
County Total	0.91	425,870	429,764
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\*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.