

## REPORT TO CITY COUNCIL

**Approved by:**

**Council Meeting of:** July 1, 2020

**Agenda Number:**   B-5  

\_\_\_\_\_  
Roger Sanchez, Director of Financial Services

\_\_\_\_\_  
Arnoldo Rodriguez, City Manager

**SUBJECT:**

Appropriations Limit (Gann Limit) for Fiscal Year 2020/2021

**RECOMMENDATION:**

Adopt a Resolution establishing an Appropriations Limit for Fiscal Year 2020/2021 in the amount of \$46,306,201

**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 (FY), 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 FY 2019/20 Appropriations Limit shows an increase from the prior year due to a rise in the Statewide PCI of 3.73 percent in combination with a 0.46 percent increase in the City’s population growth rate. This resulted in a combined increase of 4.21 percent.

The FY 2020/21 Article XIII B Appropriations Limit Calculation Worksheets and supporting documents are included as Exhibit A.

**FINANCIAL IMPACT:**

The Appropriations Limit for FY 2020/21 has been calculated to be \$46,306,201. 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 \$20,359,244, as shown on Exhibit A, Worksheet No. 1. This represents the appropriations from tax proceeds approved in the FY 2020/21 budget. The current year budgeted appropriations are approximately 44 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

**RESOLUTION NO. 20-\_\_\_\_\_**

**A RESOLUTION OF THE COUNCIL OF THE CITY OF MADERA ADOPTING THE  
APPROPRIATIONS LIMIT FOR THE 2020/2021 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 2020/2021 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-six million, three hundred six thousand, two hundred one dollars (\$46,306,201).
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.

\* \* \* \* \*

EXHIBIT A


CITY OF MADERA  
ARTICLE XIII B APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #1  
FOR THE 2020/2021 FISCAL YEAR

Proceeds of Taxes:	\$ 20,760,944	Reference Document
Exclusions:	<u>\$401,700</u>	General Fund Debt Service
Appropriations Subject to Limit:	\$ 20,359,244	Worksheet #2
Current Limit:	<u>\$46,306,201</u>	Worksheet #3
Amount Over (Under) Limit:	<u><u>\$ (25,946,957)</u></u>	

CITY OF MADERA  
ARTICLE XIII B APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #2  
FOR THE 2020/2021 FISCAL YEAR  
Summary of Tax Proceeds Revenue & Interest Allocation

	<u>Non-Interest Revenues</u>	<u>Percent of Total</u>	<u>Interest Income Allocation</u>	<u>Total Tax Proceeds</u>
<u>General Fund</u>				
Tax Proceeds Budgeted	\$ 20,435,692	22.26%	\$ 325,252	\$ 20,760,944
Non Tax Proceeds Budgeted	<u>\$ 71,359,087</u>	77.74%	<u>\$ 452,246</u>	
Total Revenue Budgeted	<u>\$ 91,794,779</u>	<u>100.00%</u>		
Total Interest Income Budgeted			<u>\$ 777,498</u>	
Total Tax Proceeds Budgeted:				<u>\$ 20,760,944</u>

CITY OF MADERA  
ARTICLE XIIIIB APPROPRIATIONS LIMIT CALCULATION  
WORKSHEET #3  
FOR THE 2020/2021 FISCAL YEAR

A.	Last Year's Appropriations Limit (Unadjusted)				\$44,436,680.00
B.	Adjustment Factors	<u>% of Change</u>	<u>Factor</u>	<u>Source</u>	
	1. Growth in City Population	0.46	1.0046	State Calculation	
	2. California Oper Capita Personal Income Growth	3.73	1.0373	State Calculation	
	3. Adjustment Factor: (B1 x B2)				1.0421
C.	Annual Adjustment Dollars: (A x B3) - A				<u>\$1,869,521</u>
D.	2020/2021 Projected Appropriations Limit: (A + C)				<u><u>\$46,306,201</u></u>



May 2020

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, 2020, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2020-21. 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 2020-21 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, 2020.**

**Please Note:** The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

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

/s/ Keely Martin Bosler

KEELY MARTIN BOSLER  
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 2020-21 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2020-21	3.73

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2020-21 appropriation limit.

**2020-21:**

Per Capita Cost of Living Change = 3.73 percent  
Population Change = 0.22 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.73 + 100}{100} = 1.0373$

Population converted to a ratio:  $\frac{0.22 + 100}{100} = 1.0022$

Calculation of factor for FY 2020-21:  $1.0373 \times 1.0022 = 1.0396$



Fiscal Year 2020-21

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2019 to January 1, 2020 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 Population</u></b>
	<b>2019-2020</b>	<b>1-1-19</b>	<b>1-1-20</b>	<b>1-1-2020</b>
Madera				
Chowchilla	-0.28	12,501	12,466	18,196
Madera	0.46	65,117	65,415	65,415
Unincorporated	-0.01	74,546	74,536	74,536
County Total	0.17	152,164	152,417	158,147

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

**Attachment C**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2019 to January 1, 2020**

<b>County</b>	<b>Percent Change</b>	<b>--- Population Minus Exclusions ---</b>	
	<b>2019-20</b>	<b>1-1-19</b>	<b>1-1-20</b>
<b>Los Angeles</b>			
Incorporated	-0.07	9,136,265	9,130,097
County Total	-0.11	10,175,203	10,163,868
<b>Madera</b>			
Incorporated	0.34	77,618	77,881
County Total	0.17	152,164	152,417
<b>Marin</b>			
Incorporated	-0.60	193,050	191,884
County Total	-0.60	257,901	256,353
<b>Mariposa</b>			
Incorporated	0.00	0	0
County Total	0.04	17,979	17,986
<b>Mendocino</b>			
Incorporated	-0.16	29,058	29,011
County Total	-0.49	88,218	87,785
<b>Merced</b>			
Incorporated	1.64	184,863	187,894
County Total	1.04	279,499	282,405
<b>Modoc</b>			
Incorporated	-0.81	2,849	2,826
County Total	-0.54	9,556	9,504
<b>Mono</b>			
Incorporated	-0.36	7,887	7,859
County Total	-0.40	13,385	13,332
<b>Monterey</b>			
Incorporated	-0.36	319,258	318,115
County Total	-0.31	425,654	424,349

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