



MEMORANDUM

TO: CITY COUNCIL

FROM: NICOLE VALENTINE, ADMINISTRATIVE SERVICES DIRECTOR

SUBJECT: CONSIDERATION OF FISCAL YEAR 2021-22 APPROPRIATION LIMIT

DATE: JUNE 8, 2021

SUMMARY OF ACTION:

Calculating the appropriation limit from tax proceeds is required annually by Propositions 4 and 111, and Government Code section 7900 et seq. Adoption of a Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2021-22 will ensure compliance with these requirements.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There are no significant fiscal or personnel impacts.

RECOMMENDATION:

It is recommended the City Council adopt a Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2021-22.

BACKGROUND:

Annually, the City is required to calculate the expenditure appropriation limit from tax proceeds to determine compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990), codified at Government Code section 7900 et seq. This calculation is based on the previous year's appropriation limit (\$25,284,708) multiplied by the per capita personal income percentage increase (5.73%) and multiplied again by the population percentage change (-0.35%). The State Department of Finance provides both the population change and the per capita personal income change for the previous fiscal year.

ANALYSIS OF ISSUES:

The City is responsible for dividing citywide revenues between tax and non-tax revenue and applying the formula to the cumulative appropriation limit. For Fiscal Year 2021-22, the appropriation limit has been calculated to be \$25,284,708.

This calculation means that the City cannot receive more than \$25,284,708 in tax-based revenues in Fiscal Year 2021-22. The estimated tax-based revenues for the Fiscal Year

**CITY COUNCIL
CONSIDERATION OF FISCAL YEAR 2021-22 APPROPRIATION LIMIT
JUNE 8, 2021
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have been calculated to be \$17,032,795, approximately \$8.2 million less than the appropriation limit. Therefore, the City is in compliance with Article XIII B of the California Constitution.

ALTERNATIVES:

The following alternatives are provided for City Council consideration:

1. Adopt a Resolution establishing the appropriation limit for FY 2021-22; or
2. Revise and adopt a Resolution establishing the appropriation limit for FY 2021-22; or
3. Provide further direction to staff.

ADVANTAGES:

Adoption of the Resolution establishing the appropriation limit for FY 2021-22 will ensure that the City is in compliance with Propositions 4 and 111.

DISADVANTAGES:

There are no disadvantages identified with the recommended action.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachment:

1. Proposed Resolution

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
ARROYO GRANDE ADOPTING A TAX PROCEEDS
EXPENDITURE APPROPRIATION LIMIT FOR FISCAL
YEAR 2021-22**

WHEREAS, section 7900 et seq. of the Government Code provide for the effective and efficient implementation of Article XIII B of the California Constitution; and

WHEREAS, Government Code sections 7901 through 7914 provide that each year, the governing body of each local jurisdiction shall, by resolution adopted at a regularly scheduled meeting, establish the annual adjustment factors to be used and the tax proceeds expenditure appropriation limit.

NOW, THEREFORE BE IT RESOLVED, by the City Council of the City of Arroyo Grande as follows:

1. The California per capita income and the population of Arroyo Grande, California are recognized as the annual adjustment factors for Fiscal Year 2021-22.
2. The appropriation limit for Fiscal Year 2021-22 is hereby set at twenty-five million, two hundred eighty-four thousand, seven hundred eight dollars (\$25,284,708).
3. Documentation used in the determination of the tax proceeds expenditure appropriation limit is attached hereto as Exhibit A and incorporated herein by this reference.
4. This Resolution is effective on its date of adoption.

On motion of Council Member _____, seconded by Council Member _____, and on the following roll call vote, to wit:

AYES:
NOES:
ABSENT:

the foregoing Resolution was passed and adopted this 8th day of June, 2021.

**RESOLUTION NO.
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CAREN RAY RUSSOM, MAYOR

ATTEST:

JESSICA MATSON, CITY CLERK

APPROVED AS TO CONTENT:

WHITNEY MCDONALD, CITY MANAGER

APPROVED AS TO FORM:

TIMOTHY J. CARMEL, CITY ATTORNEY

CITY OF ARROYO GRANDE
CALCULATION OF APPROPRIATION LIMIT FROM TAX PROCEEDS
FOR FISCAL YEAR 2021-22

Appropriation limit for 2020-21 23,998,406 (A)

Multiplied by the appropriation limit change factors:

Per Capital Personal Income Change: 5.73%
 Conversion to ratio:
$$\frac{5.73\% + 100}{100} = 1.0573 \text{ (B) } 1.0573$$

Population Change:

2020	17,617	
2021	<u>17,555</u>	-0.35%
	(62)	

Conversion to ratio:
$$\frac{(62)}{17,555} = \frac{-0.35\% + 100}{100} = 0.99650 \text{ (C) } 0.99650$$

Appropriation limit factor: (B x C) 1.0536 (D)

APPROPRIATION LIMIT FOR FISCAL YEAR 2020-21 (A x D) \$ 25,284,708

ESTIMATED 2020-21 PROCEEDS OF TAXES SUBJECT \$ 17,032,795
TO APPROPRIATION LIMIT

Amount under (over) limit 8,251,913

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