



MEMORANDUM

TO: CITY COUNCIL

FROM: DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: CONSIDERATION OF FISCAL YEAR 2016-17 APPROPRIATION LIMIT

DATE: JUNE 14, 2016

RECOMMENDATION:

It is recommended the City Council adopt the attached Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2016-17.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

There are no fiscal or personnel impacts.

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). This calculation is based on the previous year's appropriation limit (\$19,465,437) multiplied by the per capita personal income percentage increase (5.37%) and multiplied again by the population percentage change (0.30%). 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 2016-17, the appropriation limit has been calculated to be \$20,572,263.

This calculation means that the City cannot receive more than \$20,572,263 in tax-based revenues in Fiscal Year 2016-17. The estimated tax-based revenues for the Fiscal Year have been calculated to be \$14,445,114, approximately \$6.1 million less than the appropriation limit. Therefore, the City is in compliance with Article XIII B of the California Constitution.

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ALTERNATIVES:

The following alternatives are provided for City Council consideration:

- Adopt the Resolution establishing the appropriation limit
- Do not adopt the Resolution;
- Provide direction to staff.

ADVANTAGES:

By adopting the Resolution establishing the appropriation limit for Fiscal Year 2016-17, the City will be in compliance with Propositions 4 and 111.

DISADVANTAGES:

There is no disadvantage identified in relation to this recommendation.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted in front of City Hall on Thursday, June 9, 2016. The Agenda and report were posted on the City's website on Friday, June 10, 2016. No public comments were received.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ADOPTING A TAX PROCEEDS EXPENDITURE APPROPRIATION LIMIT FOR FISCAL YEAR 2016-17

WHEREAS, Sections 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 San Luis Obispo County, California are recognized as the annual adjustment factors for Fiscal Year 2016-17.
2. The appropriation limit for Fiscal Year 2016-17 is hereby set at twenty million, five hundred seventy two thousand, and two hundred sixty three dollars (\$20,572,263).
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 ____ day of June, 2016.

**RESOLUTION NO.
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JIM HILL, MAYOR

ATTEST:

KELLY WETMORE, CITY CLERK

APPROVED AS TO CONTENT:

DIANNE THOMPSON, CITY MANAGER

APPROVED AS TO FORM:

HEATHER WHITHAM, CITY ATTORNEY

EXHIBIT A

CITY OF ARROYO GRANDE
CALCULATION OF APPROPRIATION LIMIT FROM TAX PROCEEDS
FOR FISCAL YEAR 2016-17

Appropriation limit for 2015-16 \$ 19,465,437

Multiplied by the appropriation limit change factors:

Per Capita Personal Income Change:	5.37%			
Conversion to ratio:		$\frac{5.37\% + 100}{100}$	=	1.0537
Population Change:				
2015	17,678			
2016	<u>17,731</u>	0.30%		
Change	53			
Conversion to ratio:	<u>53</u>	$\frac{.30\% + 100}{100}$	=	<u>1.00300</u>
	17,731			

APPROPRIATION LIMIT FOR FISCAL YEAR 2015-16 \$ **20,572,263**

ESTIMATED 2016-17 PROCEEDS OF TAXES SUBJECT TO APPROPRIATION LIMIT \$ **14,445,114**

Amount under/(over) limit \$ 6,127,149

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