



## MEMORANDUM

**TO: CITY COUNCIL**

**FROM: DEBBIE MALICOAT, DIRECTOR OF ADMINISTRATIVE SERVICES**

**SUBJECT: CONSIDERATION OF FISCAL YEAR 2017-18 APPROPRIATION LIMIT**

**DATE: JUNE 13, 2017**

### **RECOMMENDATION:**

It is recommended the City Council adopt the attached Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2017-18.

### **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 (\$20,572,263) multiplied by the per capita personal income percentage increase (3.69%) and multiplied again by the population percentage change (0.09%). 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 2017-18, the appropriation limit has been calculated to be \$21,350,578.

This calculation means that the City cannot receive more than \$21,350,578 in tax-based revenues in Fiscal Year 2017-18. The estimated tax-based revenues for the Fiscal Year have been calculated to be \$15,221,881, approximately \$6.1 million less than the appropriation limit. Therefore, the City is in compliance with Article XIII B of the California Constitution.

**CITY COUNCIL  
CONSIDERATION OF FISCAL YEAR 2015-17 APPROPRIATION LIMIT  
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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; or
- Provide direction to staff.

**ADVANTAGES:**

By adopting the Resolution establishing the appropriation limit for Fiscal Year 2017-18, 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 at City Hall and on the City's website in accordance with Government Code Section 54954.2.

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ARROYO GRANDE ADOPTING A TAX PROCEEDS EXPENDITURE APPROPRIATION LIMIT FOR FISCAL YEAR 2017-18**

**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 Arroyo Grande, California are recognized as the annual adjustment factors for Fiscal Year 2017-18.
2. The appropriation limit for Fiscal Year 2017-18 is hereby set at twenty one million, three hundred fifty thousand, and five hundred seventy eight dollars (\$21,350,578).
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 \_\_\_\_\_, 2017.

**RESOLUTION NO.  
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\_\_\_\_\_  
**JIM HILL, MAYOR**

**ATTEST:**

\_\_\_\_\_  
**KELLY WETMORE, CITY CLERK**

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
**JAMES A. BERGMAN, 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 2017-18

Appropriation limit for 2016-17 \$ 20,572,263 (A)

Multiplied by the appropriation limit change factors:

Per Capita Personal Income Change: 3.69%  
Conversion to ratio:  $\frac{3.69\% + 100}{100} = 1.0369$  (B)

Population Change:  
2016 17,720  
2017 17,736 0.09%  
Change 16  
Conversion to ratio:  $\frac{16}{17,736} = \frac{.09\% + 100}{100} = 1.00090$  (C)

Appropriation limit factor: (B x C) 1.0378 (D)

**APPROPRIATION LIMIT FOR FISCAL YEAR 2017-18 (A x D) \$ 21,350,578**

**ESTIMATED 2017-18 PROCEEDS OF TAXES SUBJECT TO  
APPROPRIATION LIMIT \$ 15,221,881**

Amount under/(over) limit \$ 6,128,697

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