



## MEMORANDUM

**TO: CITY COUNCIL**

**FROM: MICHAEL STEVENS, DIRECTOR OF ADMINISTRATIVE SERVICES**

**BY: NICOLE VALENTINE, ACCOUNTING MANAGER**

**SUBJECT: CONSIDERATION OF FISCAL YEAR 2020-21 APPROPRIATION LIMIT**

**DATE: JUNE 9, 2020**

### **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 2020-21 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 2020-21.

### **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 (\$23,029,973) multiplied by the per capita personal income percentage increase (3.00%) and multiplied again by the population percentage change (1.17%). 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 2020-21, the appropriation limit has been calculated to be \$23,998,406.

**CITY COUNCIL  
CONSIDERATION OF FISCAL YEAR 2018-19 APPROPRIATIONS LIMIT  
JUNE 9, 2020  
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This calculation means that the City cannot receive more than \$23,998,406 in tax-based revenues in Fiscal Year 2020-21. The estimated tax-based revenues for the Fiscal Year have been calculated to be \$17,003,950, approximately \$6.9 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 2020-21; or
2. Revise and adopt a Resolution establishing the appropriation limit for FY 2020-21; or
3. Provide further direction to staff.

**ADVANTAGES:**

Adoption of the Resolution establishing the appropriation limit for FY 2020-21 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.

**RESOLUTION NO.**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF  
ARROYO GRANDE ADOPTING A TAX PROCEEDS  
EXPENDITURE APPROPRIATION LIMIT FOR FISCAL  
YEAR 2020-21**

**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 2020-21.
2. The appropriation limit for Fiscal Year 2020-21 is hereby set at twenty three million, nine hundred ninety eight thousand, four hundred six dollars (\$23,998,406).
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 9<sup>th</sup> day of June, 2020.

**RESOLUTION NO.  
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\_\_\_\_\_  
**CAREN RAY RUSSOM, MAYOR**

**ATTEST:**

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

**APPROVED AS TO CONTENT:**

\_\_\_\_\_  
**BILL ROBESON, ACTING 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 2020-21**

Appropriation limit for 2019-20 23,029,973 (A)

Multiplied by the appropriation limit change factors:

Per Capital Personal Income Change: 3.00%  
 Conversion to ratio:  $\frac{3.00\% + 100}{100} = 1.03$  (B) 1.03

Population Change:

2019	17,876	
2020	<u>18,087</u>	1.17%
	211	

Conversion to ratio:  $\frac{211}{18,087} = \frac{1.17\% + 100}{100} = 1.01170$  (C) 1.01170

Appropriation limit factor: (B x C) 1.0421 (D)

**APPROPRIATION LIMIT FOR FISCAL YEAR 2020-21 (A x D) \$ 23,998,406**

**ESTIMATED 2020-21 PROCEEDS OF TAXES SUBJECT TO APPROPRIATION LIMIT \$ 17,003,950**

Amount under (over) limit 6,994,456

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