



MEMORANDUM

TO: CITY COUNCIL

FROM: SHANNON ESENWEIN, DIRECTOR OF ADMINISTRATIVE SERVICES

SUBJECT: CONSIDERATION OF FISCAL YEAR 2019-20 APPROPRIATION LIMIT

DATE: JUNE 11, 2019

SUMMARY OF ACTION:

Calculating the appropriation limit from tax proceeds is required annually by Propositions 4 and 111. The action 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 2019-20.

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 (\$22,180,626) multiplied by the per capita personal income percentage increase (3.85%) and multiplied again by the population percentage change (-0.02%). 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 2019-20, the appropriation limit has been calculated to be \$23,029,973.

This calculation means that the City cannot receive more than \$23,029,973 in tax-based revenues in Fiscal Year 2019-20. The estimated tax-based revenues for the Fiscal Year have been calculated to be \$16,517,481, approximately \$6.5 million less than the

**CITY COUNCIL
CONSIDERATION OF FISCAL YEAR 2018-19 APPROPRIATIONS LIMIT
JUNE 11, 2019
PAGE 2**

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 2019-20
2. Revise and adopt a Resolution establishing the appropriation limit for FY 2019-20
3. Provide further direction to staff.

ADVANTAGES:

Adoption of the Resolution establishing the appropriation limit for FY 2019-20 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 2019-20**

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 2019-20.
2. The appropriation limit for Fiscal Year 2019-20 is hereby set at twenty three million, twenty nine thousand, and nine hundred seventy three dollars (\$23,029,973).
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 11th day of July, 2019.

**RESOLUTION NO.
PAGE 2**

CAREN RAY RUSSOM, 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 2019-20

Appropriation limit for 2018-19 \$ 22,180,626 (A)

Multiplied by the appropriation limit change factors:

Per Capita Personal Income Change:	3.85%			
Conversion to ratio:		$\frac{3.85\% + 100}{100}$	=	1.0385 (B) 1.0385
Population Change:				
2018	17,880			
2019	<u>17,876</u>	-0.02%		
Change	(4)			
Conversion to ratio:	<u>(4)</u>	$\frac{-0.02\% + 100}{100}$	=	<u>0.99980 (C)</u> <u>0.99980</u>
	17,876			

Appropriation limit factor: (B x C) 1.0383 (D)

APPROPRIATION LIMIT FOR FISCAL YEAR 2019-20 (A x D) \$ 23,029,973

ESTIMATED 2019-20 PROCEEDS OF TAXES SUBJECT TO APPROPRIATION LIMIT \$ 16,517,481

Amount under/(over) limit \$ 6,512,492

THIS PAGE INTENTIONALLY LEFT BLANK