

REPORT

To the Honorable Mayor and City Council
From the City Manager

June 12, 2017

SUBJECT

Annual Appropriations Limit for Fiscal Year 2017-18

RECOMMENDATION

Establish, by resolution, the appropriations limit for Fiscal Year 2017-18

BACKGROUND

In 1979, the voters of the State of California passed Proposition 4, the Gann spending limit initiative (most recently amended in 1990 by Proposition 111). The initiative establishes and defines annual appropriation limits for state and local government entities and requires that the City adopt an appropriations limit annually. Moreover, the initiative provides for annual adjustments for changes in population (for the City or County, whichever is greater) and either the statewide percentage change in per capita personal income, or percentage change in assessed valuation attributable to growth in non-residential new construction. Growth factors are supplied by the Department of Finance.

Additionally, the State code stipulates that fifteen days prior to the meeting in which the limit is adopted, documentation used in the determination of the appropriations limit shall be made available to the public. This staff report was posted on the City's website on the agenda section on May 26, 2017: www.redwoodcity.org/city-council-meetings-agendas. The calculation is also available in the FY 2017-18 recommended budget document, available at www.redwoodcity.org/budget after June 5, 2017.

ANALYSIS

The recommended appropriations limit for FY 2017-18 is \$676,181,900 while the limit for FY 2016-17 was \$648,487,191. The proposed appropriations connected to the estimated proceeds of taxes for FY 2017-18 are only \$101,361,951, well below the \$676,181,900 legal limit. The increase from FY 2016-17 is primarily due to an increase of 3.69 percent in Statewide per capita personal income, one of the factors used in calculating the change in the appropriation limit.

The resolution displays the calculations utilized to arrive at this amount.

ALTERNATIVES

There are no practical alternatives as Article XIIB of the State Constitution requires that the state and all local entities adopt an appropriations limit annually.

FISCAL IMPACT

There is no fiscal impact associated with adopting the recommended appropriations limit as the appropriation of the proceeds of taxes is well under the recommended limit.

ENVIRONMENTAL REVIEW

This activity is not a project under CEQA as defined in CEQA Guidelines, section 15378, because it has no potential for resulting in either a direct or reasonably foreseeable indirect physical change in the environment.



KIMBRA MCCARTHY
ASSISTANT CITY MANAGER OF ADMINISTRATIVE SERVICES



MELISSA STEVENSON DIAZ
CITY MANAGER

ATTACHMENTS

1. Resolution Establishing Appropriation Limits for FY 2017-18
2. Documentation used for the Calculation of the Appropriation Limit

RESOLUTION NO. _____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
REDWOOD CITY ESTABLISHING APPROPRIATIONS LIMIT FOR
FISCAL YEAR 2017-18**

WHEREAS, Article XIII B of the Constitution of the State of California places various limitations on the City's powers of appropriation; and

WHEREAS, Division 9 (commencing with Section 7900) of the Government Code implements said Article XIII B and requires that each local jurisdiction shall, by resolution, establish its appropriations limit for the following year; and

WHEREAS, Section 7901(b) of the Government Code provides that, in establishing its annual appropriations limit, a City may choose to use the change in population within its jurisdiction or within the county in which it is located, and that such selection shall be made annually by a recorded vote of the governing body; and

WHEREAS, Article XIII B, Section 8 of the California Constitution provides that, in establishing its annual appropriations limit, a City may choose a "change in the cost of living" equal to either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction, and a City shall select its change in the cost of living annually by a recorded vote of the entity's governing body.

**NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY
OF REDWOOD CITY AS FOLLOWS:**

1. This Council does hereby select to use the change in population within the County of San Mateo as the “change in population” for purposes of in calculating its annual appropriations limit.

2. This Council does hereby select to use the percentage change in California per capita personal income from the preceding year as the “change in the cost of living” for purposes of calculating its annual appropriations limit.

3. This Council does hereby establish as the appropriations limit for Fiscal Year 2017-18, the amount of \$676,181,900, calculated in accordance with the provisions of Division 9 (commencing with Section 7900) of the California Government Code.

Proposition 4 Appropriation Limitations	
Fiscal Year 2017-18	
Appropriation Limit FY 2016-17	\$648,487,191
Percentage change in statewide per capita personal income	3.69%
Percentage increase in County population growth	0.56%
1.0369 x 1.0056 =	<u>1.04270664</u>
Appropriation Limit FY 2017-18	\$676,181,900

4. This resolution shall be effective immediately upon its adoption.

Proposition 4 Appropriation Limitations
Fiscal Year 2017-18

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May 2017

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, requires the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2017, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2017-18. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2017-18 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. The Revenue and Taxation Code, section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2017.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL COHEN
Director
By:

AMY M. COSTA
Chief Deputy Director

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2017-18 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2017-18	3.69

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2017-18 appropriation limit.

2017-18:

Per Capita Cost of Living Change = 3.69 percent
 Population Change = 0.85 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.69 + 100}{100} = 1.0369$

Population converted to a ratio: $\frac{0.85 + 100}{100} = 1.0085$

Calculation of factor for FY 2017-18: $1.0369 \times 1.0085 = 1.0457$

Fiscal Year 2017-18

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2016 to January 1, 2017 and Total Population, January 1, 2017

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2016-2017	1-1-16	1-1-17	1-1-2017
San Mateo				
Atherton	0.58	7,107	7,148	7,148
Belmont	-0.05	27,608	27,594	27,594
Brisbane	0.68	4,690	4,722	4,722
Burlingame	0.78	29,916	30,148	30,148
Colma	0.07	1,505	1,506	1,506
Daly City	0.69	108,538	109,287	109,287
East Palo Alto	0.38	30,225	30,340	30,340
Foster City	0.47	33,068	33,225	33,225
Half Moon Bay	0.49	12,530	12,591	12,591
Hillsborough	0.77	11,663	11,753	11,753
Menlo Park	5.53	33,667	35,530	35,670
Millbrae	0.09	23,148	23,168	23,168
Pacifica	-0.18	38,192	38,124	38,124
Portola Valley	0.09	4,703	4,707	4,707
Redwood City	0.23	85,402	85,601	85,601
San Bruno	0.14	45,230	45,295	45,295
San Carlos	0.17	29,262	29,311	29,311
San Mateo	0.44	102,977	103,426	103,426
South San Francisco	0.11	65,378	65,451	65,451
Woodside	0.25	5,652	5,666	5,666
Unincorporated	0.27	65,294	65,470	65,470
County Total	0.56	765,755	770,063	770,203

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.