

# REPORT

To the Honorable Mayor and City Council  
From the City Manager

June 11, 2018

## **SUBJECT**

Annual Appropriations Limit for Fiscal Year 2018-19

## **RECOMMENDATION**

Establish, by resolution, the Appropriations Limit for Fiscal Year 2018-19

## **BACKGROUND**

In 1979, the voters of the State of California passed Proposition 4, the Gann spending limit initiative (most recently amended in 2016 by Proposition 56). 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.

Additionally, the State code states 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 25, 2018, [www.redwoodcity.org/city-council-meetings-agendas](http://www.redwoodcity.org/city-council-meetings-agendas). The calculation is also available in the FY 2018-19 recommended budget document, available at [www.redwoodcity.org/budget](http://www.redwoodcity.org/budget) after June 7, 2018.

## **ANALYSIS**

The recommended appropriations limit for FY 2018-19 is \$707,019,533 while the limit for FY 2017-18 was \$676,181,900. The proposed appropriations connected to the estimated proceeds of taxes for FY 2018-19 are \$106,522,402, well below the \$707,019,533 legal limit. The increase from FY 2017-18 is primarily due to a percent change of 4.03% in assessed valuation attributable to growth in non-residential new construction, 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 XIII B 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  
TREASURER / ASSISTANT CITY MANAGER – ADMINISTRATIVE SERVICES



---

MELISSA STEVENSON DIAZ  
CITY MANAGER

**ATTACHMENTS**

1. Resolution Establishing Appropriation Limits for FY 2018-19
2. Documentation used for the Calculation of the Appropriation Limit

**RELATED DOCUMENTS IN CITY CLERK'S OFFICE**

None

**RESOLUTION NO. \_\_\_\_\_**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF REDWOOD CITY ESTABLISHING APPROPRIATIONS LIMIT FOR FISCAL YEAR 2018-19**

**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 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 must 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 calculating its annual appropriations limit.

2. This Council does hereby select to use the percentage change in assessed valuation attributable to growth in non-residential new construction 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 2018-19, the amount of \$707,019,533, calculated in accordance with the provisions of Division 9 (commencing with Section 7900) of the California Government Code.

Proposition 4 Appropriation Limitations  
Fiscal Year 2018-19

Calculation for FY 2018-19	
Appropriations Limit FY 2017-18	\$676,181,900
Percentage change in assessed valuation attributable to growth in non-residential new construction	4.03%
Percentage increase in County population growth	0.51%
$1.0403 \times 1.0051 =$	<u>1.04560553</u>
Appropriations Limit FY 2018-19	\$707,019,533

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

\* \* \*

Proposition 4 Appropriation Limitations  
Fiscal Year 2018-19

Calculation for FY 2018-19

Appropriations Limit FY 2017-18 \$676,181,900

Percentage change in assessed valuation  
attributable to growth in non-residential new  
construction 4.03%

Percentage increase in County population growth 0.51%

$$1.0403 \times 1.0051 = \underline{1.04560553}$$

Appropriations Limit FY 2018-19 \$707,019,533



OFFICE OF  
**ASSESSOR-COUNTY CLERK-  
RECORDER & ELECTIONS**  
COUNTY OF SAN MATEO

**MARK CHURCH**  
ASSESSOR-COUNTY CLERK-  
RECORDER & CHIEF ELECTIONS OFFICER

May 7th, 2018

Sylvia Bravo Peters  
Management Analyst/Deputy Treasurer  
City of Redwood City  
1017 Middlefield Rd  
Redwood City, CA 94064

Dear Sylvia Bravo Peters,

Pursuant to the guidelines of Proposition 111, the dollar amount of assessed valuation which is attributable to non-residential new construction for the City of Redwood City for fiscal 2017/2018 is \$70,569,523. This represents a 4.03% portion of the overall change. The change in the Assessor's Preliminary roll for your jurisdiction was \$1,752,146,493. This represents a 8.52% change from the prior fiscal year.

Please contact me either via e-mail at [rsantos@smcacre.org](mailto:rsantos@smcacre.org) or call at 650.599.1568 if you have any further questions.

Very truly,

Rose Santos  
Department Systems Analyst



OFFICE OF  
**ASSESSOR-COUNTY CLERK-  
RECORDER & ELECTIONS**  
COUNTY OF SAN MATEO

**MARK CHURCH**  
ASSESSOR-COUNTY CLERK-  
RECORDER & CHIEF ELECTIONS OFFICER

**REDWOOD CITY - 2017**

**ROLL VALUES**

2016	Secured	19,558,643,660
	Unsecured	998,613,627
	<b>Total</b>	<b>20,557,257,287</b>
2017	Secured	21,335,520,534
	Unsecured	973,883,246
	<b>Total</b>	<b>22,309,403,780</b>
	Difference	1,752,146,493
	% Change	8.52%

**NEW CONSTRUCTION**

	Secured	40,066,100
	Unsecured	30,503,423
	<b>Total</b>	<b>70,569,523</b>
	% Change due to New Construction	4.03%



May 2018

Dear Fiscal Officer:

**Subject: Price Factor and Population Information**

**Appropriations Limit**

California Revenue and Taxation Code section 2227 requires the Department of 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, 2018, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2018-19. 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 2018-19 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. California 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 section 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. California 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, 2018.**

**Please Note:** The 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 2018-19 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2018-19	3.67

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2018-19 appropriation limit.

**2018-19:**

Per Capita Cost of Living Change = 3.67 percent  
Population Change = 0.78 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.67 + 100}{100} = 1.0367$

Population converted to a ratio:  $\frac{0.78 + 100}{100} = 1.0078$

Calculation of factor for FY 2018-19:  $1.0367 \times 1.0078 = 1.0448$

Fiscal Year 2018-19

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2017 to January 1, 2018 and Total Population, January 1, 2018**

<b>County City</b>	<b><u>Percent Change</u></b>	<b><u>--- Population Minus Exclusions ---</u></b>		<b><u>Total</u></b>
	<b>2017-2018</b>	<b>1-1-17</b>	<b>1-1-18</b>	<b>1-1-2018</b>
San Mateo				
Atherton	0.49	7,100	7,135	7,135
Belmont	0.16	27,343	27,388	27,388
Brisbane	0.77	4,656	4,692	4,692
Burlingame	0.29	30,207	30,294	30,294
Colma	-0.99	1,516	1,501	1,501
Daly City	0.12	107,733	107,864	107,864
East Palo Alto	0.65	30,718	30,917	30,917
Foster City	0.61	33,287	33,490	33,490
Half Moon Bay	1.47	12,456	12,639	12,639
Hillsborough	1.35	11,389	11,543	11,543
Menlo Park	1.38	34,628	35,107	35,268
Millbrae	0.25	22,796	22,854	22,854
Pacifica	0.20	38,342	38,418	38,418
Portola Valley	0.42	4,747	4,767	4,767
Redwood City	0.13	86,271	86,380	86,380
San Bruno	0.26	45,965	46,085	46,085
San Carlos	0.73	29,681	29,897	29,897
San Mateo	0.99	103,465	104,490	104,490
South San Francisco	0.49	66,752	67,082	67,082
Woodside	0.54	5,593	5,623	5,623
Unincorporated	0.58	65,450	65,828	65,828
County Total	0.51	770,095	773,994	774,155

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