

**CITY OF CLOVERDALE
CITY COUNCIL
RESOLUTION NO.050-2018**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CLOVERDALE ESTABLISHING THE
APPROPRIATION LIMIT FOR FISCAL YEAR 2018-2019**

WHEREAS, the voters approved the Gann Spending Limitation Initiative on November 6, 1979, and Proposition 111 on June 5, 1990, which establish and define annual appropriations on state and local government agencies; and

WHEREAS, regulations require that the governing body of each local agency establish its appropriations limit and annual adjustment factors by resolution; and the State Legislature adopted Chapters 1205/80 and 60/90 which implemented Article XIII-B and amendments; and

WHEREAS, the City of Cloverdale has complied with the provisions of Article XIII B to determine the City's appropriations limit and estimated appropriations subject to limitation for 2018-2019; and

WHEREAS, the appropriations limit is calculated pursuant to Proposition 111, the City Council is aware that adoption of this limit is an interim measure and the limit may change at a future date once all the data required to compute is available; and

WHEREAS, the specific information that is not available is the percentage change in non-residential construction and this information is to be supplied by the County of Sonoma Tax Assessor's Office at some future date.

NOW, THEREFORE, BE IT RESOLVED that the Council of the City of Cloverdale hereby adopts the City's appropriations limit and annual adjustment factors for Fiscal Year 2018-19 as follows:

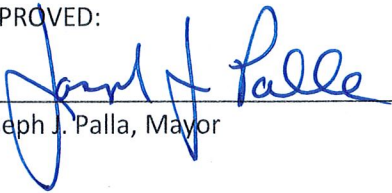
Appropriations Limit Calculations	
2017-18 Appropriations Limit	\$ 9,295,442
Adjustment Factors	
A.	
Percentage change in assessed value in the preceding year due to new non-residential construction.	Not currently available
Percentage change in California per capita income	3.67%
B.	
Percentage change in City population	1.62%
Percentage change in County population	0.9978%
Percentage Factor (Cost of Living factor x Population factor)	1.05349454
2018-19 Appropriations Limit	\$ 9,792,697

The options in bold print are the recommended adjustment factors in determining appropriations limit for 2018-19

It is hereby certified that the foregoing resolution was duly introduced and duly adopted by the City Council of the City of Cloverdale at its regular meeting held on the 14th day of August 2018, by the following roll call vote: (Ayes- 5; Noes-0; Absent-0; Abstain- 0)

AYES: Councilmember Bagby, Vice Mayor Russell, Councilmember Brigham, Councilmember Wolter, and Mayor Palla
NOES: None
ABSENT: None
ABSTAIN: None

APPROVED:



Joseph J. Palla, Mayor

ATTESTED:



Linda Moore, Deputy City Clerk



City Council
Agenda Item Summary

Agenda Item: 4
Meeting Date: August 14, 2018

Agenda Section New Business	Staff Contact Susie Holmes, Finance Manager
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Agenda Item Title
Adoption of Resolution No. 050-2018, Establishing the Appropriations Limit for Fiscal Year 2018-19, Pursuant to Article XIII B of the Constitution of the State of California

Summary

Overview:

According to the California state appropriations limit (SAL) also known as the Gann Spending-Limitation Initiative (Article XIII B of the State Constitution) adopted as Proposition 4 in June of 1979 (and subsequently modified by Proposition 111 in June of 1990), the City is required to annually adopt a resolution setting an appropriations limit for each fiscal year. For 2018-2019, staff projects that the City’s appropriations (for all general governmental funds) subject to limitations to be \$4,105,484, which is \$5,687,213 less than the calculated limit of \$9,792,697.

Background and Key Concepts:

The Gann Spending-Limitation Initiative provides for the limitation of state and local government appropriations. As discussed in the following summary of the major provisions of the Gann Initiative and Proposition 111 modifications, the Gann Initiative is actually a limitation on tax revenues rather than a direct limitation on appropriations:

1. Appropriations subject to limitation may not exceed appropriations made in 1978-79, except as adjusted for increases in the cost of living, population and service responsibility transfers.
2. Appropriations financed through service fees (to the degree that they do not exceed the cost of performing the service), grant programs, fines and forfeitures, and other specified “non-tax” sources are not subject to the appropriations limit. Additionally, appropriations for long-term indebtedness incurred prior to 1978-79, debt service on qualified capital outlays beginning in 1990-91, qualified capital outlays in excess of major capital-related expenditures, all appropriations funded through tax revenues are subject to limitation.
3. For the purpose of identifying “proceeds from taxes” under the Gann Initiative, state subventions that are unrestricted as to their use (such as motor vehicle in-lieu revenues) are considered to be tax sources. On the other hand, the use of subventions like gas tax and transportation development act funds is restricted by the State, and as such, is classified as non-tax sources.
4. Under the original Gann Initiative, all proceeds from taxes received in excess of the appropriations limit were required to be returned through refunds or revisions in tax rates and fee schedules within the next two fiscal years; or voter approval to increase the appropriations limit was required. Proposition 111 provides a one-year carryover feature to determine excess revenues under which refunds can be avoided if in the subsequent year the City is below the limit by the amount of the prior year excess. Any voter approved increased to the appropriations limit cannot exceed four years.
5. Originally, the Gann Initiative was self-executing, requiring no formal review; however, Proposition 111 requires that the annual calculation be reviewed as part of the annual financial audit.
6. Major concepts in implementing the Gann Initiative as modified by Proposition 111 include: appropriations funded through tax sources are subject to the limit, not actual expenditures; and any excess of actual tax revenues over the appropriations limit, not actual expenditures or appropriations, are subject to refund.

Adjustment Factors:

The annual adjustment factors for changes in population and cost of living for the appropriations limit calculation must be selected by a recorded vote of the Council, and include the following:

1. Population. Based on data provided annually by the State Department of Finance, cities may annually choose either the growth in their city’s or the county’s population.

For this year’s calculation, the City’s population growth factor (which exceeds the County’s factor) is the recommended adjustment factor as discussed below.

2. Cost of living. Local governments may annually choose either the percentage change in California per capita personal income or the percentage change in their jurisdiction’s assessed valuation that is attributable to the non-residential new construction.

Data for the percentage change in California per capita personal income change is provided annually by the State Department of Finance. Data for the preceding year in calculating the increase in the non-residential assessed valuation is not currently available from the County; therefore, the recommended cost of living factor is California per capita income. However, when non-residential construction data becomes available from the County, the limit can be recalculated and retroactively adopted if different results are anticipated.

Calculation Summary:

A summary of the City’s appropriations limit history is provided in Attachment 2. As reflected in that summary, the City’s limit for 2018-19 is \$9,792,697 calculated as follows:

Appropriations Limit Calculations	
2017-18 Appropriations Limit	\$ 9,295,442
Adjustment Factors	
A.	
Percentage change in assessed value in the preceding year due to new non-residential construction.	Not currently available
Percentage change in California per capita income	3.67%
B.	
Percentage change in City population	1.62%
Percentage change in County population	0.9978%
Percentage Factor (Cost of Living factor x Population factor)	1.05349454
2018-19 Appropriations Limit	\$ 9,792,697

The options in bold print are the recommended adjustment factors in determining appropriations limit for 2018-19

Options:

None Recommended

Budget/Financial Impact:

There is no financial impact in fiscal year 2018-2019 since the Appropriations Limit is higher than the Appropriations subject to the Limit.

Subcommittee Recommendation:

N/A

Recommended Council Action:

Adopt a Resolution of the City Council of the City of Cloverdale Adopting the Appropriation Limit for Fiscal Year 2018-2019.

Attachments:

1. Resolution Adopting the Appropriation Limit for fiscal year 2018-2019.
2. Appropriation Limit Calculation
3. May 2018 Price and Population information from the Department of Finance

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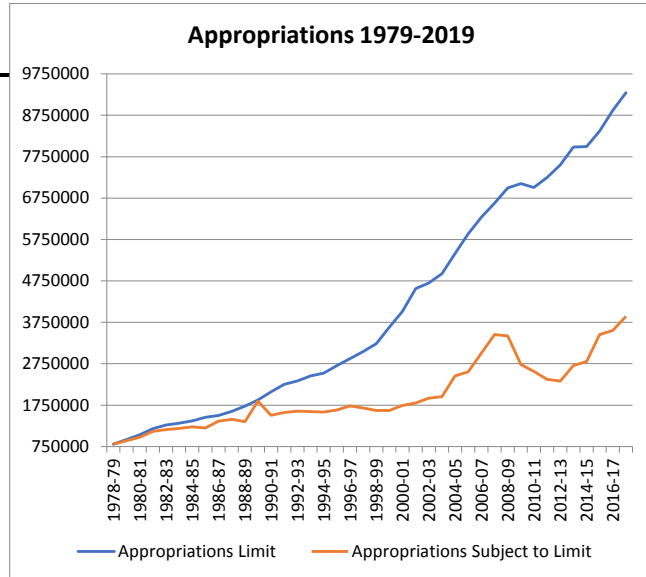
FINANCIAL AND STATISTICAL TABLES

CITY OF CLOVERDALE

APPROPRIATIONS LIMIT HISTORY

The *Gann Spending Limit Initiative*, a State constitutional amendment adopted by the voters on June 6, 1979, restricts appropriations from tax revenues by State and local governments. Under its provisions, no local agency can appropriate proceeds of taxes in excess of its "appropriations limit." Excess funds may be carried over into the next year. However, any excess funds remaining after the second year must be returned to taxpayers by reducing tax rates or fees; or a majority of the voters may approve an override to increase the limit.

The following summarizes changes in the City's appropriations limit and appropriations subject to the limit since the effective date of the initiative. While there are exceptions, in general, the City's appropriations limit increases annually by compound changes in cost-of-living and population. This summary also reflects changes made by Proposition 111 (adopted in June 1990) in determining the appropriations limit as well as the appropriations subject to it.



Fiscal Year	Limit Base	Cost of Living Factor	Population Factor	Appropriations Limit	Appropriations Subject to Limit	Variance
1978-79				808,406	808,406	0
1979-80	808,406	10.16%	3.06%	917,791	890,257	27,534
1980-81	917,791	10.53%	2.02%	1,034,925	972,830	62,096
1981-82	1,034,925	9.12%	4.56%	1,180,807	1,114,500	66,307
1982-83	1,180,807	6.79%	0.82%	1,271,324	1,161,794	109,530
1983-84	1,271,324	2.35%	0.85%	1,312,260	1,186,081	126,179
1984-85	1,312,260	4.74%	-0.19%	1,371,850	1,226,223	145,628
1985-86	1,371,850	3.74%	2.21%	1,454,609	1,196,957	257,652
1986-87	1,454,609	2.30%	0.83%	1,500,416	1,366,059	134,357
Post-Proposition 111						
1987-88	1,500,416	3.47%	2.94%	1,598,123	1,407,073	191,050
1988-89	1,598,123	4.66%	3.33%	1,728,293	1,351,651	376,642
1989-90	1,728,293	5.19%	3.20%	1,876,168	1,848,351	27,817
1990-91	1,876,168	4.21%	6.00%	2,072,463	1,507,060	565,403
1991-92	2,072,463	4.14%	4.43%	2,253,875	1,571,363	682,512
1992-93	2,253,875	-0.64%	4.20%	2,333,507	1,603,546	729,961
1993-94	2,333,507	2.72%	2.43%	2,455,225	1,594,550	860,675
1994-95	2,455,225	0.71%	2.07%	2,523,841	1,585,902	937,939
1995-96	2,523,841	4.72%	2.22%	2,701,640	1,634,248	1,067,392
1996-97	2,701,640	4.67%	1.58%	2,872,486	1,732,572	1,139,914
1997-98	2,872,486	4.67%	1.20%	3,042,710	1,683,109	1,359,601
1998-99	3,042,710	4.15%	2.11%	3,235,848	1,624,423	1,611,425
1999-00	3,235,848	4.53%	7.36%	3,631,379	1,621,234	2,010,145
2000-01	3,631,379	4.91%	5.46%	4,017,689	1,744,753	2,272,936
2001-02	4,017,689	7.82%	5.38%	4,564,927	1,802,365	2,762,562
2002-03	4,564,927	-1.27%	4.30%	4,700,751	1,916,480	2,784,271
2003-04	4,700,751	2.31%	2.41%	4,925,243	1,958,752	2,966,491
2004-05	4,925,243	3.28%	6.39%	5,411,837	2,454,000	2,957,837
2005-06	5,411,837	5.26%	3.35%	5,887,333	2,554,800	3,332,533
2006-07	5,887,333	3.96%	2.75%	6,288,784	3,004,912	3,283,872
2007-08	6,288,784	4.42%	0.97%	6,630,446	3,455,024	3,175,422
2008-09	6,630,446	4.29%	1.16%	6,995,105	3,420,747	3,574,358
2009-10	6,995,105	0.62%	0.91%	7,102,524	2,732,245	4,370,279
2010-11	7,102,524	-2.54%	1.24%	7,007,954	2,567,252	4,440,702
2011-12	7,007,954	2.51%	0.87%	7,246,354	2,375,684	4,870,670
2012-13	7,246,354	3.77%	0.41%	7,550,371	2,330,484	5,219,887
2013-14	7,550,371	5.12%	0.57%	7,982,191	2,707,383	5,274,808
2014-15	7,982,191	-0.23%	0.39%	7,994,891	2,801,408	5,193,483
2015-16	7,994,891	3.82%	0.84%	8,370,018	3,457,847	4,912,171
2016-17	8,370,018	5.37%	0.53%	8,866,231	3,556,225	5,310,006
2017-18	8,866,231	3.69%	1.11%	9,295,442	3,894,222	5,401,220
2018-2019	9,295,442	3.67%	1.62%	9,792,697	4,105,484	5,687,213

* Population Factor is the largest of City or County

** Appropriation Subject to Limit Estimated



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

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2017-2018	1-1-17	1-1-18	1-1-2018
Sonoma				
Cloverdale	1.62	8,988	9,134	9,134
Cotati	3.53	7,453	7,716	7,716
Healdsburg	2.59	11,757	12,061	12,061
Petaluma	1.70	61,657	62,708	62,708
Rohnert Park	2.61	42,490	43,598	43,598
Santa Rosa	0.24	178,064	178,488	178,488
Sebastopol	2.12	7,624	7,786	7,786
Sonoma	2.87	11,072	11,390	11,390
Windsor	2.07	27,492	28,060	28,060
Unincorporated	-3.72	147,002	141,540	142,391
County Total	-0.22	503,599	502,481	503,332

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

Fiscal Year 2018-19

Attachment C
Annual Percent Change in Population Minus Exclusions*
January 1, 2017 to January 1, 2018

County	<u>Percent Change</u> 2017-18	<u>--- Population Minus Exclusions ---</u> 1-1-17	<u>1-1-18</u>
Sierra			
Incorporated	-0.39	760	757
County Total	0.12	3,203	3,207
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Siskiyou			
Incorporated	-0.11	20,551	20,528
County Total	-0.11	44,591	44,542
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Solano			
Incorporated	0.88	406,300	409,875
County Total	0.86	425,057	428,716
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Sonoma			
Incorporated	1.22	356,597	360,941
County Total	-0.22	503,599	502,481
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Stanislaus			
Incorporated	0.97	434,481	438,683
County Total	1.03	549,976	555,624
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Sutter			
Incorporated	0.28	75,845	76,061
County Total	0.33	96,919	97,238
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Tehama			
Incorporated	-0.12	21,829	21,803
County Total	0.14	63,772	63,864
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Trinity			
Incorporated	0.00	0	0
County Total	0.01	13,535	13,537
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Tulare			
Incorporated	1.54	326,147	331,179
County Total	1.10	470,302	475,479

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