

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: SHELLEY REILLY, ACTING DEPUTY DIRECTOR
FINANCE DEPARTMENT
SUBJECT: APPROVE THE AGREEMENT WITH THE COUNTY OF SONOMA TO TRANSFER THE APPROPRIATIONS LIMIT IN CONNECTION WITH THE ROSELAND ANNEXATION AREA, AND ADOPT THE RESTATEMENT OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2018-19 AND FISCAL YEAR 2019-20

AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, approve the use of an updated population factor used in the calculation of the limit for Fiscal Year 2018-19, resulting in restatements to the appropriations limit for Fiscal Year 2018-19 and Fiscal Year 2019-20. It is also recommended to approve the Agreement for Transfer of Appropriations Limit for the Roseland Annexation Area between the City of Santa Rosa and the County of Sonoma and adopt the restatement of the appropriation limit for City of Santa Rosa to include Roseland Annexation Area for Fiscal Year 2019-20.

EXECUTIVE SUMMARY

The purpose of this item is to approve the Agreement for Transfer of Appropriations Limit for the Roseland Annexation Area between the City of Santa Rosa and the County of Sonoma; and adopt the restatement of the appropriation limit for Fiscal Year (FY) 2018-19 and FY 2019-20.

BACKGROUND

Article XIII B of the California Constitution and related implementing legislation provide for an annual "appropriations limit" for each entity of local government and require the governing body of each local jurisdiction to establish its appropriation limit by resolution each year.

The appropriations limit does not apply to the entire City budget but only to the appropriation of "proceeds of taxes" in the City's "general government" type funds.

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From Fiscal Year 1980-81 to Fiscal Year 1989-90, each year's appropriation limit was based on the previous year's limit, multiplied by the percentage change in population and the percentage change in the United States Consumer Price Index or the change in California per capita income, whichever was less.

Proposition 111, which was approved by the voters June 1990, amended the factors used in the calculation of each year's appropriations limit. The factors to be used now are:

1. Price Factor - At the City's option, either the change in California per capita income or increase in non-residential assessed valuation due to new construction.
2. Population Factor - At the City's option, either the annual change in City or County population.

Each year after the appropriation limit is adopted by the Council, the calculation is reviewed by the City's auditor and an Agreed-Upon Procedures Report or Audit is completed that confirms the City's calculations were accurate.

On June 19, 2018, the City Council approved the Appropriations Limit for FY 2018-19. The population factor that was used to calculate the FY 2018-19 limit was 0.78%. The correct population factor was 0.24%. As a result, the FY 2018-19 Appropriation Limit will be restated to correct the population factor.

On December 20, 2016, the City of Santa Rosa approved a Pre-annexation Agreement with the County of Sonoma for the County island commonly referred to as the Roseland Annexation Area. Article XIII B requires that a public agency's appropriations limit be adjusted whenever there is a transfer of financial responsibility between two or more government agencies such as through an annexation. In compliance with Article XIIB, City and County staff have negotiated the proposed Agreement to Transfer of Appropriations Limit setting forth provisions for the County of Sonoma to transfer the appropriation limit related to the Roseland Annexation Area to the City of Santa Rosa as of FY 2019-20. The Agreement for Transfer of the Appropriations Limit must be approved by the City Council and will require the City of Santa Rosa to recalculate and restate the Appropriation Limit.

After recalculating FY 2018-19 and FY 2019-20 Appropriations Limit, the City of Santa Rosa will be still be under the limit for both fiscal years. Future years Appropriation Limit will reflect the transfer going forward. Since inception, the City has been under the Appropriations Limit and Council has accepted the item.

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PRIOR COUNCIL REVIEW

The Annexation Agreement was approved by City Council on December 20, 2016. The FY 2018-19 Appropriation limit was approved by the City Council on June 29, 2018 and the FY 2019-20 Appropriation limit was approved by the City Council on June 25, 2019.

ANALYSIS

The calculated appropriations limit for Fiscal Year 2018-19 due to the restatement is \$258,875,000. The appropriations that will be subject to the limit total are projected to be \$132,219,000 which is approximately \$126,656,000 less than the calculated appropriation limit.

The calculated appropriations limit for Fiscal Year 2019-20 due to the restatement carried forward from FY 2018-19 and the Roseland transfer is \$267,851,244. The appropriations that will be subject to the limit total are projected to be \$153,187,000 which is approximately \$114,664,244 less than the calculated appropriation limit.

The City of Santa Rosa is not at risk of exceeding the limit in FY 2018-19 or in FY 2019-20.

FISCAL IMPACT

There is no fiscal impact from adopting the appropriation limit.

ENVIRONMENTAL IMPACT

The Council finds that the proposed action is exempt from the provisions of the California Environmental Quality Act (CEQA) under section 15061(b)(3) and 15378 in that there is no possibility that the implementation of this action may have significant effects on the environment, and that no further environmental review is required.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Attachment 1 - Restatement of FY 2019-20 Appropriations Limit Calculation and Appropriations Subject to Limitation

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- Attachment 2 - Restatement of FY 2018-19 Appropriations Limit Calculation and Appropriations Subject to Limitation
- Attachment 3 - Price & Population Factor 2018
- Resolution / Exhibit A - Agreement for Transfer of Appropriations Limit

CONTACT

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