

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
FROM: ALAN ALTON, ACTING CHIEF FINANCIAL OFFICER
FINANCE DEPARTMENT
SUBJECT: APPROPRIATIONS LIMIT FISCAL YEAR 2018-19
AGENDA ACTION: RESOLUTION

RECOMMENDATION

It is recommended by the Finance Department that the Council, by resolution, (1) adopt the Article XIIIB appropriation limit for the City of Santa Rosa at \$260,270,000 for the Fiscal Year (FY) 2018-19; and (2) approve the use of the inflation and population factors used in the calculation of the limit for FY 2018-19.

EXECUTIVE SUMMARY

The purpose of this item is to establish the FY 2018-19 appropriation limit for the City of Santa Rosa, an annual requirement under the provisions of Article XIIIB of the California Constitution.

BACKGROUND

Article XIIIB 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.

From FY 1980-81 to FY 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 in June 1990, amended the factors used in the calculation of each year's appropriation limit. The factors to be used now are:

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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 population 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.

Since inception, the City has been under the Appropriations Limit and Council has accepted the item.

PRIOR COUNCIL REVIEW

This item has not been previously reviewed by the City Council.

ANALYSIS

Annually, the State of California, Department of Finance provides inflation and population factors to be used in the calculation of the appropriations limit.

The factors used in calculation of the FY 2018-19 limit are as follows:

1. Price Factor (percentage change in California per capita personal income): 1.0367.
2. Population Factor (percentage change in Santa Rosa population): 1.0078.

The calculated appropriations limit for FY 2018-19 is \$260,270,000 (FY 2017-18 limit multiplied by price and population factors converted to ratios). The appropriations that will be subject to the limit total are projected to be \$132,826,000 which is approximately \$127,444,000 less than the calculated appropriation limit. The City of Santa Rosa is not at risk of exceeding the limit.

FISCAL IMPACT

There is no fiscal impact from adopting the appropriation limit.

ENVIRONMENTAL IMPACT

This action is exempt from the California Environmental Quality Act (CEQA) because it is not a project which has a potential for resulting in either a direct physical change in the

environment, or a reasonably foreseeable indirect physical change in the environment, pursuant to CEQA Guideline Section 15378.

BOARD/COMMISSION/COMMITTEE REVIEW AND RECOMMENDATIONS

Not applicable.

NOTIFICATION

Not applicable.

ATTACHMENTS

- Resolution/ Exhibit A - Article XIIIB Appropriations Limit Calculation and Appropriations Subject to Limitation, FY 2018-19

CONTACT

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