RESOLUTION NO. 2020-77

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
ESTABLISHING APPROPRIATIONS LIMIT FOR FY 2020-21

WHEREAS, Article XIIIB of the California Constitution requires a governmental entity to establish an appropriations limit, and;

WHEREAS, California Government Code Section 7910 requires a local government to establish its appropriations limits by resolution each year, for the following fiscal year, at a regularly scheduled or noticed special meeting, and;

WHEREAS, the City discussed its budget at its regularly scheduled June 16, 2020 meeting, and;

WHEREAS, in May 2020, the State of California Department of Finance determined the change in California's per capita personal income factor ("EXHIBIT A - Attachment A"), the change in population for the City of Marina and the change in population for the County of Monterey ("EXHIBIT A - Attachment B"), and;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina establishes appropriations limit for FY 2020-21 at $27,805,277 ("EXHIBIT B").

BE IT FURTHER RESOLVED that any challenge to the appropriations limit must be brought to the City of Marina's attention within forty-five (45) days of the effective date of this resolution.

PASSED AND ADOPTED by the City Council of the City of Marina at adjourned regular meeting duly held on the 23rd day of June 2020, by the following vote:

AYES: COUNCIL MEMBERS: Berkley, Urrutia, O'Connell, Morton, Delgado
NOES: COUNCIL MEMBERS: None
ABSENT: COUNCIL MEMBERS: None
ABSTAIN: COUNCIL MEMBERS: None

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Bruce C. Delgado, Mayor

ATTEST:

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Anita Sharp, Deputy City Clerk

EXHIBIT A

DEPARTMENT OF FINANCE
OFFICE OF THE DIRECTOR

GAVIN NEWSOM - GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2020

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, 2020, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2020-21. 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 2020-21 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, 2020.**

Please Note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

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

/s/ Keely Martin Bosler

KEELY MARTIN BOSLER
Director

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 2020-21 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2020-21	3.73

B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2020-21 appropriation limit.

2020-21:

Per Capita Cost of Living Change = 3.73 percent
Population Change = 0.22 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.73 + 100}{100} = 1.0373$

Population converted to a ratio: $\frac{0.22 + 100}{100} = 1.0022$

Calculation of factor for FY 2020-21: 1.0373 x 1.0022 = 1.0396

Fiscal Year 2020-21

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2019 to January 1, 2020 and Total Population, January 1, 2019

County City	Percent Change 2019-2020	--- Population Minus Exclusions --- 1-1-19	 1-1-20	Total Population 1-1-2020
Monterey				
Carmel-By-The-Sea	0.25	3,939	3,949	3,949
Del Rey Oaks	-0.72	1,674	1,662	1,662
Gonzales	-0.70	8,566	8,506	8,506
Greenfield	0.97	18,109	18,284	18,284
King City	1.77	14,540	14,797	14,797
Marina	-1.62	22,688	22,321	22,321
Monterey	-1.45	24,554	24,199	28,170
Pacific Grove	-0.62	15,360	15,265	15,265
Salinas	-0.08	162,353	162,222	162,222
Sand City	0.52	383	385	385
Seaside	-2.10	29,964	29,335	33,537
Soledad	0.36	17,128	17,190	25,301
Unincorporated	-0.15	106,396	106,234	106,744
County Total	-0.31	425,654	424,349	441,143

EXHIBIT B
CITY OF MARINA
APPROPRIATION LIMIT FOR FISCAL YEAR 2020-21

The appropriations limit creates a restriction on the amount of revenue which can be appropriated in any fiscal year. Only revenues that are 'proceeds of taxes,' as defined by the State code, are subject to the limitation. The basis for calculating the limit began in fiscal year 1978-79 and is calculated each year based on population changes and inflation.

2018/19 Adopted Appropriation Limit					**$**	**25,770,277**
Annual Adjustment						
Change in Population %	**1.81%**					
Converted to Ratio			1.0181			
Change in Per Capita Income %	**3.85%**					
Converted to Ratio			1.0385			
Combined Factor	1.0181	x	1.0385	=		1.0573
2019/20 Appropriation Limit					**$**	**27,246,833**
2019/20 Adopted Appropriation Limit					**$**	**27,246,833**
Annual Adjustment						
Change in Population %	**-1.62%**					
Converted to Ratio			0.9838			
Change in Per Capita Income %	**3.73%**					
Converted to Ratio			1.0373			
Combined Factor	0.9838	x	1.0373	=		1.0205
2020/21 Appropriation Limit					**$**	**27,805,277**

Estimated FY20/21			
Taxes		$	21,483,500
Intergovernmental		$	238,700
Interest Income		$	275,000
Total General Fund Revenues Subject to Limit		$	21,997,200
	Amount Below Limit ($)	$	5,808,077
	As a Percent of Total (%)		21%

June 16, 2020 Item No. **11a**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 16, 2020

CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2020-, ESTABLISHING APPROPRIATIONS LIMIT FOR FY 2020-21

REQUEST:

It is requested that the City Council:

1. Consider Adopting Resolution No. 2020-, establishing appropriations limit for FY 2020-21.

BACKGROUND:

Article 13B of the California Constitution states that a local government's annual appropriations shall not exceed the appropriations limit of the prior year, adjusted for the change in the cost of living and the change in population. Cost of living and population changes for all local governments are determined by the California Department of Finance.

The appropriations limit creates a restriction on the amount of revenue that can be appropriated in any fiscal year. Only revenues that are "proceeds of taxes" are subject to the limitation as defined by the law. Interestingly, this includes State subventions, which are "money received by a local agency from the State, the use of which unrestricted by the statute providing the subvention (Government Code Section 7903)."

Government Code Section 7910 requires a local government to establish its appropriations limit by resolution each year, for the following fiscal year, at a regularly scheduled or noticed special meeting. The meeting of June 16, 2020 has been noticed via regular agenda posting locations and City website.

ANALYSIS:

As part of the establishment of its annual appropriations limit, the City must formally adopt the two (2) variables used in the calculation as determined by the Department of Finance:

1. Cost-of-living change factor, and;
2. Population change factor.

In May 2020, the State of California Department of Finance has determined the change in California's per capita personal income factor as 3.73% ("**EXHIBIT A – Attachment A**"), the change in population for the City of Marina as -1.62% ("**EXHIBIT A – Attachment B**").

These figures combine to produce an appropriations limit calculation factor of 1.0205, which, when applied to the FY 2019-20 appropriations limit of $27,246,833 produces a FY 2020-21 appropriations limit of $27,805,277 ("**EXHIBIT B**").

Based upon the above FY 2020-21 appropriation limit of $27,805,277 and City FY 2020-21 estimated total applicable City local proceed of tax sources, State subventions and/or applicable interest income of approximately $22 million, the City is approximately $5.81 million (or 21%) below the limit. Therefore, the City is well within the limit and is compliant with this California State law.

Any challenge to the appropriations limit must be brought to the City of Marina's attention within forty-five (45) days of the effective date of this resolution.

FISCAL IMPACT:
None

CONCLUSION:
This request is submitted for City Council consideration and possible action.

Respectfully submitted,

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Marisol Gomez
Accounting Services Manager
City of Marina

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Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

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Layne P. Long
City Manager
City of Marina