

RESOLUTION NO. 2019-65

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MARINA
ESTABLISHING APPROPRIATIONS LIMIT FOR FY 2019-20

WHEREAS, Article XIII B 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 4, 2019 meeting, and;

WHEREAS, in May 2019, the State of California Department of Finance determined the change in California's per capita personal income factor, the change in population for the City of Marina and the change in population for the County of Monterey ("EXHIBIT A"), and;

NOW, THEREFORE, BE IT RESOLVED that the City Council of the City of Marina establishes appropriations limit for FY 2019-20 at \$27,246,833 ("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 regular meeting duly held on the 18th day of June 2019, by the following vote:

AYES: COUNCIL MEMBERS: Urrutia, O'Connell, Morton, Delgado

NOES: COUNCIL MEMBERS: None

ABSENT: COUNCIL MEMBERS: Berkley

ABSTAIN: COUNCIL MEMBERS: None

Bruce C. Delgado, Mayor

ATTEST:

Anita Sharp, Deputy City Clerk



GAVIN NEWSOM • GOVERNOR
915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2019

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, 2019, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2019-20. 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 2019-20 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, 2019.**

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.

KEELY BOSLER
Director
By:

Vivek Viswanathan
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 2019-20 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2019-20	3.85

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2019-20 appropriation limit.

2019-20:

Per Capita Cost of Living Change = 3.85 percent
Population Change = 0.47 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.85 + 100}{100} = 1.0385$

Population converted to a ratio: $\frac{0.47 + 100}{100} = 1.0047$

Calculation of factor for FY 2019-20: $1.0385 \times 1.0047 = 1.0434$

EXHIBIT B
CITY OF MARINA
APPROPRIATION LIMIT FOR FISCAL YEAR 2019-20

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.

2017/18 Adopted Appropriation Limit		\$ 24,544,814
Annual Adjustment		
Change in Population	1.27%	
Converted to Ratio		
Change in Per Capita Income		3.67%
Converted to Ratio		
Combined Factor		104.99% = 1.0499
2018/19 Appropriation Limit		\$ 25,770,277
2018/19 Adopted Appropriation Limit		\$ 25,770,277
Annual Adjustment		
Change in Population	1.81%	
Converted to Ratio		
Change in Per Capita Income		3.85%
Converted to Ratio		
Combined Factor		105.73% = 1.0573
2019/20 Appropriation Limit		\$ 27,246,833
<u>Estimate FY 19/20</u>		
Taxes		\$ 21,450,500
Intergovernmental		\$ 424,700
Interest Income		\$ 300,000
Total General Fund Revenues		
Subject to Limit		\$ 22,175,200
Amount Below Limit, Dollars		\$ 5,071,633
As a Percent of Total		19%

June 18, 2019

Item No. **11b**

Honorable Mayor and Members
of the Marina City Council

City Council Meeting
of June 18, 2019

**CITY COUNCIL CONSIDER ADOPTING RESOLUTION NO. 2019-,
ESTABLISHING APPROPRIATIONS LIMIT FOR FY2018-19**

REQUEST:

It is requested that the City Council:

1. Consider Adopting Resolution No. 2019-, establishing appropriations limit for FY 2019-20.

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 18, 2019 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 2019, the State of California Department of Finance has determined the change in California's per capita personal income factor as 3.85%, the change in population for the City of Marina as 1.81% ("**EXHIBIT A**").

These figures combine to produce an appropriations limit calculation factor of 1.0573, which, when applied to the FY 2018-19 appropriations limit of \$25,770,277 produces a FY 2019-20 appropriations limit of \$27,246,833 ("**EXHIBIT B**").

Based upon the above FY 2019-20 appropriation limit of \$27,246,833 and City FY 2019-20 estimated total applicable City local proceed of tax sources, State subventions and/or applicable interest income of approximately \$22.18 million, the City is approximately \$5.07 million (or 19%) 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,

Eric Frost
Finance Director
City of Marina

REVIEWED/CONCUR:

Layne P. Long
City Manager
City of Marina