



To: Mayor and City Council
From: Cindy Mosser, Finance Manager
Subject: Establishing the 2016-17 Fiscal Year Appropriations Limit
Date: May 24, 2016

Recommendation

Adopt the resolution establishing the City’s Appropriations Limit for 2016-17 Fiscal Year.

Background

Article XIII B of the California State Constitution, commonly known as the Gann Initiative, was approved by Prop 4 by California voters in November, 1979. Fundamentally, the purpose of the constitutional provisions and the implementing legislation is to restrict the growth of tax-funded programs and services by limiting the appropriations of proceeds of taxes to the 1978-79 base year limit, adjusted annually for changes in the population and inflation. Proceeds of taxes in excess of the limit, with a few exceptions, must be returned to the taxpayers within two years by refund or reduction in tax rates unless an extension of the limit is approved by majority popular vote.

Proceeds of taxes include (1) all tax revenues, (2) licenses and user fees to the extent that such fees exceed the cost of providing services, (3) interest earnings from investment of tax revenues and (4) discretionary state subventions. All other revenues, i.e. federal funds, enterprise fund revenues, and user fees which do not exceed the cost of providing services are excluded from the limit. Proceeds of taxes subject to the limit for Fiscal Year 2016-17 total \$17,719,518 or 9.63% of the calculated Appropriations Limit of \$184,093,988 for Fiscal Year 2016-17.

The voters approved Proposition 111 in June, 1990. This proposition allows for new adjustment formulas for the required appropriation limit that are more responsive to local growth issues. The proposition also now requires an annual review of the limit calculations, i.e. reviewed by an independent auditor in conjunction with the annual financial audit.

The appropriations limit increases annually by a change in the State per capita income and the change in City of County population, whichever is higher. Staff has adjusted the current year’s limit (2015-16) by applying the California Per Capita Personal Income change of 5.37% and County population change of 1.12%, as reported by the Department of Finance.

Appropriations Limit for Fiscal Year 2015/16	\$ 172,776,855
County Population Growth	1.34%
California Per Capita Personal Income	x 5.37%
Factor to be applied to Prior Year	= 1.0655
Appropriations Limit for Fiscal Year 2016/17	<u>\$ 184,093,988</u>

Fiscal Impact

No impact to the General Fund.

Attachments

1. Resolution
2. Department of Finance – Price & Population Information

APPROVED BY:



Acting City Manager

RESOLUTION NO. -16

**RESOLUTION ADOPTING THE FISCAL YEAR 2016-17
PROPOSITION 4 APPROPRIATIONS LIMITATION**

WHEREAS, there has been submitted to this meeting of the City Council of the City of Martinez the Fiscal Year 2016-17 Appropriations Limitation pursuant to Government Code Section 7910, et.seq. and;

WHEREAS, the computations necessary to determine said limit have also been submitted along with the recommended amount of \$184,093,988 utilizing the county population growth and the growth in personal income as the adjustment factors; and

WHEREAS, proceeds of taxes subject to the limit do not exceed the calculated Appropriations Limit for Fiscal Year 2016-17.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Martinez that Fiscal Year 2016-17 Appropriations Limitation is set at the amount of \$184,093,988.

* * * * *

I HEREBY CERTIFY the foregoing is a true and correct copy of a resolution duly adopted by the City Council of the City of Martinez at a Regular Meeting of said Council held on the 15th day of June, 2016, by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ



May 2016

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, requires the Department of Finance (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, 2016, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2016-17. 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 2016-17 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. The 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 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. 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, 2016.**

Please Note: 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 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 2016-17 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2016-17	5.37

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2016-17 appropriation limit.

2016-17:

Per Capita Cost of Living Change = 5.37 percent
 Population Change = 0.90 percent

Per Capita Cost of Living converted to a ratio: $\frac{5.37 + 100}{100} = 1.0537$

Population converted to a ratio: $\frac{0.90 + 100}{100} = 1.0090$

Calculation of factor for FY 2016-17: $1.0537 \times 1.0090 = 1.0632$

Fiscal Year 2016-17

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2015-2016	1-1-15	1-1-16	1-1-2016
Contra Costa				
Antioch	0.89	111,973	112,968	112,968
Brentwood	3.00	57,072	58,784	58,784
Clayton	0.45	11,159	11,209	11,209
Concord	1.28	128,063	129,707	129,707
Danville	0.88	42,491	42,865	42,865
El Cerrito	1.02	24,132	24,378	24,378
Hercules	0.87	24,578	24,791	24,791
Lafayette	0.78	24,732	24,924	24,924
Martinez	0.62	36,828	37,057	37,057
Moraga	0.48	16,434	16,513	16,513
Oakley	1.34	39,609	40,141	40,141
Orinda	0.92	18,578	18,749	18,749
Pinole	0.42	18,660	18,739	18,739
Pittsburg	1.04	67,119	67,817	67,817
Pleasant Hill	0.47	33,918	34,077	34,077
Richmond	0.74	109,568	110,378	110,378
San Pablo	1.09	30,498	30,829	30,829
San Ramon	1.15	77,470	78,363	78,363
Walnut Creek	1.99	68,652	70,018	70,018
Unincorporated	0.95	169,422	171,038	171,122
County Total	1.12	1,110,956	1,123,345	1,123,429

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