



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
May 16, 2007**

TO: Mayor and City Council
FROM: Cathy Heater, Finance Manager
SUBJECT: 2007-08 Fiscal Year Appropriations Limit
DATE: May 1, 2007

RECOMMENDATION:

Adopt a resolution adopting the City's 2007-08 Proposition 4 Appropriations Limitations.

BACKGROUND:

Proposition 4, commonly known as the Gann Initiative, was approved by the California electorate 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) proceeds from licenses and user fees to the extent that such fees exceed costs 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.

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.

Staff has adjusted the current year's limit (2006-07) by applying the Per Capita Personal Income change of 4.42% and the County population change of 1.13% to arrive at the 2007-08 Appropriations limit of \$134,270,631.

Proceeds of taxes subject to the limit total \$16,345,102 or 12.17% of the calculated Appropriations Limit for 2007-08.

FISCAL IMPACT:

None.

ACTION:

Approve the resolution establishing the City's Appropriations Limit for 2007-2008 fiscal year.

Attachments

APPROVED BY:



City Manager

APPROVED BY:



Department Head

RESOLUTION NO. -07

RESOLUTION ADOPTING THE 2007-08 PROPOSITION 4
APPROPRIATIONS LIMITATION

WHEREAS, there has been submitted to this meeting of the City Council of the City of Martinez a recommendation for the 2007-08 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 \$134,270,631 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 2007-08.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Martinez that 2007-08 Appropriations Limitation is set at the amount of \$134,270,631.

* * * * *

I HEREBY CERTIFY that 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 May 16, 2007 by the following vote:

AYES:

NOES:

ABSENT:

RICHARD C. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ



May 2007

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, Section 2227, mandates 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, 2007, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2007-08. Enclosure I 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 2007-08 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations, as noted.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. 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 issue should be referred to their respective county for clarification, or to their legal representation, or to 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, 2007.**

Please Note: City population estimates are controlled to independently calculated county population estimates. Due to county estimates revisions; prior year's city population estimates may have also been revised.

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

MICHAEL C. GENEST

Director

By:

VINCENT P. BROWN

Chief Deputy Director

Enclosure

- 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 2007-2008 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2007-2008	4.42

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2007-2008 appropriation limit.

2007-2008:

Per Capita Cost of Living Change = 4.42 percent
 Population Change = 1.20 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.42 + 100}{100} = 1.0442$

Population converted to a ratio: $\frac{1.20 + 100}{100} = 1.0120$

Calculation of factor for FY 2007-2008: $1.0442 \times 1.0120 = 1.0567$

Enclosure II
Annual Percent Change in Population Minus Exclusions (*)
January 1, 2006 to January 1, 2007 and Total Population, January 1, 2007

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2006-2007	1-1-06	1-1-07	1-1-2007
Contra Costa				
Antioch	-0.01	100,163	100,150	100,150
Brentwood	6.38	45,974	48,907	48,907
Clayton	-0.55	10,841	10,781	10,781
Concord	-0.36	123,969	123,519	123,519
Danville	-0.28	42,719	42,601	42,601
El Cerrito	-0.41	23,289	23,194	23,194
Hercules	1.39	23,647	23,975	23,975
Lafayette	-0.21	24,003	23,953	23,953
Martinez	-0.35	36,306	36,179	36,179
Moraga	-0.36	16,223	16,165	16,165
Oakley	8.21	29,485	31,906	31,906
Orinda	-0.23	17,557	17,517	17,517
Pinole	-0.42	19,315	19,234	19,234
Pittsburg	0.82	62,492	63,004	63,004
Pleasant Hill	-0.26	33,203	33,117	33,117
Richmond	1.12	102,676	103,828	103,828
San Pablo	-0.04	30,977	30,965	30,965
San Ramon	2.71	56,505	58,035	58,035
Walnut Creek	-0.33	65,603	65,384	65,384
Unincorporated	2.50	165,785	169,927	169,927
County Total	1.13	1,030,732	1,042,341	1,042,341

(*) Exclusions include residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.