



CITY OF MARTINEZ

**CITY COUNCIL AGENDA
June 15, 2011**

TO: Mayor and City Council
FROM: Cathy Spinella, Finance Manager
SUBJECT: Resolution Establishing the 2011-12 Fiscal Year Appropriations Limit
DATE: May 23, 2011

RECOMMENDATION:

Adopt the resolution adjusting the 2010-11 City's Appropriations Limit adopted May 19, 2010 and the calculation for 2011-12 Fiscal Year.

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.

Proceed 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.

The appropriation limit for 2010-11 needs to be adjusted to \$142,366,554. The calculation remains the same by applying the Per Capita Personal Income of -2.54% and the County population change of 1.11% to the 2009-10 limit. Staff has adjusted this new limit (2010-11) by applying the Per Capita Personal Income change of 2.51% and the County population change of .77% to arrive at the 2011-12 Appropriations limit of \$147,064,650.

Proceeds of taxes subject to the limit total \$15,150,503 or 10.30% of the calculated Appropriations Limit for 2011-12.

FISCAL IMPACT:

None.

ACTION:

Approve the resolution establishing the City's Appropriations Limit for 2011-2012 Fiscal Year and amending the 2010-2011 Appropriation's Limit on resolution 043-10.

Attachments:

Resolution

Department of Finance

Appropriations Limit Calculations

A handwritten signature in black ink, appearing to read "Philip Vance". The signature is written in a cursive style with a large initial "P".

APPROVED BY: City Manager

RESOLUTION NO. -11

**RESOLUTION ADOPTING THE 2011-12 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 2011-12 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 \$147,064,650 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 2011-12; and

BE IT FURTHER RESOLVED, by the City Council to amend Resolution 043-10 to establish the City's Appropriation Limit for 2010-2011 Fiscal Year to \$142,366,554; and

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Martinez that 2011-12 Appropriations Limitation is set at the amount of \$147,064,650.

* * * * *

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 June 15, 2011 by the following vote:

AYES:

NOES:

ABSENT:

RICHARD G. HERNANDEZ, CITY CLERK
CITY OF MARTINEZ



May 2011

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, 2011, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2011-2012. 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 2011-2012 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county's and incorporated area's summed population percentage changes. 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. 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 box: "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(C), 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. The Federal 2010 Census population counts for cities and counties have been certified to the State Controller's Office. 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, 2011.**

Please Note: The population estimates provided in this report incorporate 2010 Census numbers as benchmarks. Therefore, the population estimates for 2010 and 2011 published in this report for your jurisdiction may be noticeably different from the previous year estimates.

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

- 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 2011-2012 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2011-2012	2.51

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2011-2012 appropriation limit.

2011-2012:

Per Capita Cost of Living Change = 2.51 percent
Population Change = 0.77 percent

Per Capita Cost of Living converted to a ratio: $\frac{2.51 + 100}{100} = 1.0251$

Population converted to a ratio: $\frac{0.77 + 100}{100} = 1.0077$

Calculation of factor for FY 2011-2012: $1.0251 \times 1.0077 = 1.0330$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2010 to January 1, 2011 and Total Population, January 1, 2011

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2010-2011	1-1-10	1-1-11	1-1-2011
Contra Costa				
Antioch	0.81	102,230	103,054	103,054
Brentwood	1.24	51,394	52,029	52,029
Clayton	0.45	10,893	10,942	10,942
Concord	0.48	121,759	122,344	122,676
Danville	0.51	42,002	42,215	42,215
El Cerrito	0.47	23,538	23,648	23,648
Hercules	0.42	24,051	24,153	24,153
Lafayette	0.64	23,872	24,025	24,025
Martinez	0.41	35,708	35,856	35,958
Moraga	0.41	16,010	16,076	16,076
Oakley	1.89	35,329	35,997	35,997
Orinda	0.45	17,633	17,712	17,712
Pinole	0.42	18,383	18,460	18,460
Pittsburg	1.00	63,096	63,730	63,730
Pleasant Hill	0.42	33,139	33,279	33,279
Richmond	0.54	103,661	104,220	104,220
San Pablo	-0.73	29,143	28,931	28,931
San Ramon	1.62	71,947	73,109	73,109
Walnut Creek	0.88	64,140	64,707	64,707
Unincorporated	0.92	159,668	161,143	161,143
County Total	0.77	1,047,596	1,055,630	1,056,064

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

Per Capita Cost of Living Change 2.51
State Population Change 0.77
County Population Change 0.77

Per Capita Converted to Ratio $\frac{2.51+100}{100} = 1.0251$

State Population Converted to Ratio $\frac{0.77+100}{100} = 1.0077$

County Population Converted to Ratio $\frac{0.77+100}{100} = 1.0077$

Calculation of factor for FY 2011-12 $1.0251 \times 1.0077 = 1.0330$

Prop Limit: 2010-11 142,366,554
X 1.0330

Prop Limit: 2011-12 147,064,650