



City of Palo Alto

City Council Staff Report

(ID # 8225)

Report Type: Consent Calendar

Meeting Date: 6/27/2017

Summary Title: Adoption of a Resolution Proposing the Appropriations Limit for Fiscal Year 2018

Title: Adoption of a Resolution Determining the Proposed Calculation of the Appropriations Limit for Fiscal Year 2018

From: City Manager

Lead Department: Administrative Services

Recommendation

Staff recommends that Council adopt the attached Resolution determining the Proposition 4 (GANN) Appropriations Limit calculation for Fiscal Year 2018 (Attachment A). The City's Fiscal Year 2018 appropriations are estimated to be \$26.88 million under the limit based on the Fiscal Year 2018 Adopted Budget.

Background

California voters approved an initiative on November 6, 1979 that added Article XIII B to the State Constitution as amended with Proposition 98 in 1988 and Proposition 111 in 1990. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriation Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors. The original legislation implementing the provisions of Article XIII B became effective January 1, 1981. In accordance with that legislation, the governing body of each government jurisdiction must, by resolution, establish its annual Appropriation Limit for the coming year (prior to July 1) at a regularly scheduled meeting or noticed special meeting. Based on Article XIII B, the City of Palo Alto can use the larger of two measurements of population growth, (county or city population growth) in the Appropriations Limit calculation. For Fiscal Year 2018, the City is using City of Palo Alto population factor, which is greater than the population factor for the County of Santa Clara. The City typically uses the highest factor in order to provide maximum appropriation flexibility.

Discussion

The Appropriations Limit is adjusted annually on the basis of population and per capita income changes. This updated information is received from the California Department of Finance in May, after the City's proposed budget has been submitted to Council. Attached is the final

Appropriations Limit calculation, based on the updated information as well as allowable appropriation limit adjustment factors such as voter-approved debt and capital outlay expenditures. The Appropriations Limit for Fiscal Year 2018 is \$158.37 million for funds subject to the appropriation limits. The City's Fiscal Year 2018 budgeted appropriations are estimated to be \$26.88 million under the limit. As required by state law, documentation used to compute the Appropriations Limit has been made available to the public at least fifteen days prior to the Council meeting at which the Appropriations Limit is being adopted, and notice was published of the availability of these materials.

Resource Impact

The adoption of the Fiscal Year 2018 Appropriations Limit has no impact on City resources.

Policy Implications

This recommendation is consistent with existing City policies.

Environmental Review

This is not a project under section 21065 of the California Environmental Quality Act.

Attachments:

- Attachment A: Appropriations Limit Resolution
- Attachment A, Exhibit 1: Appropriations Limit Calculation

ATTACHMENT A

RESOLUTION NO.XXXX

RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO DETERMINING THE
CALCULATION OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2018

WHEREAS, under Article XIII B of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and

WHEREAS, since fiscal year 1991, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for Fiscal Year 2018, which was adopted by ordinance of the Council on June 27, 2017; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 3.69% percent change in California per capita income and a 0.82% percent change in the population growth for the City of Palo Alto; and

WHEREAS, the documentation used in the determination of the Limit has been made available to the general public for fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City's net appropriations subject to limitation are approximately \$131.49 million.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for Fiscal Year 2018, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City's appropriations subject to limitation are under the Limit by approximately \$26.88 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for Fiscal Year 2018, a copy of which is attached hereto as Exhibit 1.

SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:

APPROVED:

City Clerk

Mayor

APPROVED AS TO FORM:


City Manager

Senior Assistant City Attorney

Administrative Services Director

APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION FOR FISCAL YEAR 2018 ADOPTED BUDGET

(\$ IN MILLIONS)

Total Budgeted Appropriations	General Fund	Capital Projects Funds	Special Revenue Funds	Debt Service Fund	Combined Funds
FY 2018 Adopted Budget	\$ 210.43	\$ 80.26	\$ 30.02	\$ 4.67	\$ 325.37
Less:					
Interfund Transfers	\$ (29.38)	\$ -	\$ (9.88)	\$ -	\$ (39.27)
Allocated Charges	\$ (17.94)	\$ -	\$ -	\$ -	\$ (17.94)
Non-Proceeds	\$ (49.16)	\$ (80.26)	\$ (7.25)	\$ -	\$ (136.68)
Net Appropriations Subject to Limit	\$ 113.94	\$ -	\$ 12.88	\$ 4.67	\$ 131.49
					
FY 2018 Per Capita Income Change (CA Department of Finance)					3.69%
<i>Factor A</i>					1.0369
FY 2018 Population Change (City of Palo Alto)					0.82%
<i>Factor B</i>					1.0082
FY 2017 Adopted Appropriations Limit					\$ 151.49
Factor A x Factor B					1.0454
FY 2018 Adopted Appropriations Limit					\$ 158.37
Net Appropriations Subject to Limit					\$ 131.49
Amount Under the Limit					\$ 26.88

The City of Palo Alto remains well within its appropriations limit in FY 2018. Future year limit trends can be made based on the average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Capital Projects Fund, and Special Revenue Funds.

Fiscal Year	Per Capita Income Factor	Population Change Factor	Total Adjustment Factor	Appropriations Limit	Appropriations Subject to Limit	Amount Under the Limit
2017	1.0537	1.0130	1.0674	\$ 151.49	\$ 109.51	\$ 41.97
2016	1.0382	1.0113	1.0499	\$ 141.92	\$ 100.60	\$ 41.31
2015	0.9977	1.0150	1.0127	\$ 135.17	\$ 82.93	\$ 52.24
2014	1.0512	1.0157	1.0677	\$ 133.48	\$ 90.28	\$ 43.20
2013	1.0377	1.0124	1.0506	\$ 125.01	\$ 96.73	\$ 28.28
2012	1.0251	1.0089	1.0342	\$ 119.00	\$ 89.00	\$ 30.00
2011	0.9746	1.0144	0.9886	\$ 115.06	\$ 78.94	\$ 36.12
2010	1.0062	1.0220	1.0283	\$ 116.38	\$ 72.00	\$ 44.38
2009	1.0429	1.0172	1.0608	\$ 113.17	\$ 78.64	\$ 34.53
2008	1.0442	1.0152	1.0601	\$ 106.68	\$ 73.30	\$ 33.38

On November 6, 1979, California voters approved Proposition 4, an initiative that added Article XIII B to the state Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriations Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors.