

AGENDA
ITEM
11



AGENDA STAFF REPORT

DATE: June 23, 2021

TO: Mayor and City Council

APPROVED BY: Miguel Figueroa, City Manager *Mf*

PREPARED BY: Karla Lobatos, Finance Director *Kl*

SUBJECT: Adopt a Resolution of the City Council of the City of Calexico Establishing the Appropriations Limit for Fiscal Year 2021-22 Pursuant To Article XIII B of the California Constitution

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Recommendation:

Adopt Resolution Establishing the Appropriations Limit for Fiscal Year 2021-22 Pursuant to Article XIII B of the California Constitution.

Background:

In November of 1979 the voters of California passed Proposition 4 that specified government appropriations may increase annually by a factor comprised of the change in population combined with either the Consumer Price Index (CPI) or the change in per capita income as determined by the state Department of Finance. This measure was intended to provide citizens with more control over government spending and taxation.

Discussion & Analysis:

The adoption of the Gann Appropriations Limit is an annual requirement established by voter approval of the above-mentioned Proposition 4. The proposition was named after the author and was established to create a limit on the amount of tax revenue that can be appropriated by government jurisdictions. This limit is also popularly known as the Gann Limit.

Each year, the limit is recalculated by multiplying the previous year's limit by adjustment factors for population growth and inflation.

Proposition 111, passed in June 1990, giving cities the option of using their own growth or the growth of the entire county in which the city was located as the population adjustment factor. Cities were also given the option of using the increase in California Per Capita Income or the increase in the assessed valuation of non-residential property in the city as the inflation adjustment factor. Cities have the option each year of which factor to use.

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For FY 2021-22, Calexico is using the population growth in the entire County and the increase in California Per Capita Income. The Resolution and the calculation of the limit (Exhibit "A") are presented on the following pages.

Fiscal Impact:

There is no immediate fiscal impact that accompanies this report. However, it is noteworthy that the City of Calexico has significant spending room, or nearly double the taxation total with conservative factors being applied.

Coordinated With:

None.

Attachments:

1. Resolution of the City Council of the City of Calexico Establishing the Appropriations Limit for Fiscal Year 2020-21 Pursuant To Article XIII B of the California Constitution.
2. Attachment "A" – Recalculation of Gann Limit.
3. Department of Finance – Price Factor and Population Information

RESOLUTION NO. 2021-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO
ESTABLISHING THE APPROPRIATIONS LIMIT FOR
FISCAL YEAR 2020-21 PURSUANT TO ARTICLE XIII B OF THE
CALIFORNIA CONSTITUTION**

WHEREAS, Article XIII B of the California Constitution provides that the total annual appropriations subject to limitations of each governmental entity of government for the prior year adjust for changes in the cost of living or personal income and population, except as otherwise provided in Article XIII B in implementing State statutes; and,

WHEREAS, pursuant to said Article XIII B of said California Constitution, and section 7900 et seq. of the California Code, the City is required to set its appropriation limit for each fiscal year; and,

WHEREAS, the Finance Director of the City of Calexico has interpreted the technical provisions of Proposition 4 computations, performed a review and calculated the City's appropriations limit for FY 2021-22; and,

WHEREAS, based on such calculations the Acting Finance Director has determined the appropriations limit and, pursuant to Section 7910 of the California Government Code has made available to the public the documentation used in the determination of the appropriation limit;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Calexico, that the annual adjustment factors used to calculate the appropriations limit for Fiscal Year 2021-22 shall be California per capita personal income and the entire County's population growth; and

IT IS ALSO RESOLVED by the City Council of the City of Calexico that the appropriations limit for the Fiscal Year 2021-21 is hereby set at \$35,251,672. The appropriations limit is calculated in Exhibit "A" included herein and made a part of this resolution through this reference.

PASSED, APPROVED AND ADOPTED this 23rd day of June 2021.

Rosie Arreola Fernandez, Mayor

ATTEST:

Gabriela Garcia, City Clerk

Resolution No. 2021-_____

ATTACHMENT "A"

Recalculations of Gann Limit:

	<u>Amount</u>	<u>Source</u>
A. Appropriations Limit from FY 2020-21	\$ 33,613,489	Prior Year
B. Adjustment Factors:		
1. Growth in County Population	.9919	State Department of Finance
2. California per Capita Personal Income Growth	1.0573	State Department of Finance
3. Adjustment Factor	<u>1.0487</u>	B1*B2
C. Annual Adjustment Increase	1,638,183	A * (B3 - 1)
D. Appropriations Limit FY 2021-2022	<u>\$ 35,251,672</u>	(A+C)

Calexico, City of
Recalculation - Gann Limit FY21
June 30, 2021

Purpose:

The purpose of the following procedures is to determine whether the Gann Limit is correctly calculated and approved by Council.

Recalculations of Gann Limit:

	<u>Amount</u>	<u>Source</u>
A. Appropriations Limit from FY 2020-2021	PY \$ 33,613,489	Prior Year
B. Adjustment Factors:		
1. Growth in County or County Population (Use most beneficial factor)	9300.02 3/3 0.9919	State Department of Finance
2. California per Capita Personal Income Growth	9300.02 2/3 1.0573	State Department of Finance
3. Adjustment Factor	<u>1.0487</u>	B1*B2
C. Annual Adjustment Increase	1,638,183	A * (B3 - 1)
D. Appropriations Limit FY 2021-2022	<u>\$ 35,251,672</u>	(A+C)
City Calculation	<u>35,251,672</u>	
Variance	<u><u>-</u></u>	

Conclusion:

Based on the audit procedures performed, the Gann Limit for FY 2021-22 was correctly calculated and approved by Council.



May 2021

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

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, 2021, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2021-22. 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 2021-22 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, 2021.**

Please Note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

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

KEELY MARTIN BOSLER

Director

By:

/s/ Erika Li

Erika Li

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 2021-22 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2021-22	5.73

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2021-22 appropriation limit.

2021-22:

Per Capita Cost of Living Change = 5.73 percent
 Population Change = -0.46 percent

Per Capita Cost of Living converted to a ratio:	$\frac{5.73 + 100}{100} = 1.0573$
Population converted to a ratio:	$\frac{-0.46 + 100}{100} = 0.9954$
Calculation of factor for FY 2021-22:	$1.0573 \times 0.9954 = 1.0524$

Fiscal Year 2021-22

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2020 to January 1, 2021 and Total Population, January 1, 2021

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2020-2021	1-1-20	1-1-21	1-1-2021
Imperial				
Brawley	-0.61	27,494	27,326	27,326
Calexico	-0.81	40,814	40,485	40,485
Calipatria	-1.73	3,646	3,583	6,509
El Centro	-1.13	45,509	44,997	44,997
Holtville	-1.72	6,345	6,236	6,236
Imperial	1.88	19,915	20,289	20,289
Westmorland	-1.41	2,338	2,305	2,305
Unincorporated	-2.24	35,535	34,739	37,887
County Total	-0.90	181,596	179,960	186,034

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