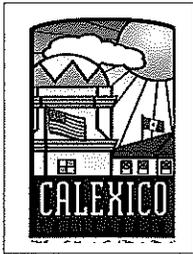


**AGENDA**

**ITEM**

**5**



# CITY COUNCIL AGENDA STAFF REPORT

**DATE:**

**TO:** Mayor and City Council

**APPROVED BY:** Armando G Villa, City Manager

**PREPARED BY:** Armando G Villa, City Manager

**SUBJECT:** Adopt a Resolution of the City Council of the City of Calexico Establishing the Appropriations Limit for Fiscal Year 2017-18 Pursuant to Article XIII B of the California Constitution.

=====

**Recommendation:**

Adopt Resolution No. 2017-XX Establishing the Appropriations Limit for Fiscal Year 2017-18 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, gave 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

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adjustment factor. Cities have the option each year of which factor to use.

Our city auditors, The Pun Group LLP, periodically review and audit the appropriation limit calculations. They compared the previously adopted appropriation limits, which were calculated using the City's population factor method, to appropriation limits calculated using the County population factor method. The auditors have suggested use of the latter method since it produces an increased appropriation limit.

The Department of Finance has stated that they will certify the higher estimates, and prior year's city population estimates may be revised. Based on the suggested revisions, the auditors are making the following corrections from FY 2011-12 to FY 2016-17, hereby included as part of Exhibit "A".

For FY 2017-18 Calexico is using the population growth in the entire County and the increase in California Per Capita Income. The Resolution No.2017-XX 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 double the taxation total with conservative factors being applied.

**Coordinated With:** N/A

**Attachment:** Resolution No. 2017-XX with Exhibit "A"  
Auditor appropriation corrected calculation for FY 2012-2017  
Letter from Department of Finance and supporting pages

RESOLUTION NO. \_\_\_\_\_

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF CALEXICO  
ESTABLISHING THE APPROPRIATIONS LIMIT FOR  
FISCAL YEAR 2017-18 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 Acting 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 2017-18; 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 appropriations 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 2017-18 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 2017-18 is hereby set at \$29,427,821. 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 21th day of June 2017.

\_\_\_\_\_  
Armando Real, Mayor

ATTEST:

\_\_\_\_\_  
Gabriela Garcia, City Clerk



- 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 2017-18 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2017-18	3.69

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2017-18 appropriation limit.

**2017-18:**

Per Capita Cost of Living Change = 3.69 percent  
 Population Change = 0.85 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.69 + 100}{100} = 1.0369$

Population converted to a ratio:  $\frac{0.85 + 100}{100} = 1.0085$

Calculation of factor for FY 2017-18:  $1.0369 \times 1.0085 = 1.0457$

Fiscal Year 2017-18

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2016 to January 1, 2017 and Total Population, January 1, 2017**

<u>County</u> <u>City</u>	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u> <u>Population</u>
	2016-2017	1-1-16	1-1-17	1-1-2017
Imperial				
Brawley	1.12	26,629	26,928	26,928
Calexico	0.64	40,660	40,921	40,921
Calipatria	1.29	3,649	3,696	7,555
El Centro	0.71	45,305	45,628	45,628
Holtville	1.31	6,174	6,255	6,255
Imperial	2.57	18,190	18,658	18,658
Westmorland	0.61	2,288	2,302	2,302
Unincorporated	2.15	35,314	36,075	40,087
County Total	1.26	178,209	180,463	188,334

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

Fiscal Year 2017-18

**Attachment C**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2016 to January 1, 2017**

County	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>	
	2016-17	1-1-16	1-1-17
<b>Fresno</b>			
Incorporated	1.26	805,552	815,688
County Total	1.11	979,347	990,243
<b>Glenn</b>			
Incorporated	0.69	13,903	13,999
County Total	0.32	28,543	28,635
<b>Humboldt</b>			
Incorporated	0.90	63,465	64,039
County Total	1.03	135,375	136,771
<b>Imperial</b>			
Incorporated	1.04	142,895	144,388
County Total	1.26	178,209	180,463
<b>Inyo</b>			
Incorporated	-0.35	3,968	3,954
County Total	-0.07	18,532	18,519
<b>Kern</b>			
Incorporated	1.23	552,168	558,965
County Total	0.97	859,169	867,478
<b>Kings</b>			
Incorporated	-0.37	104,521	104,131
County Total	-0.22	131,118	130,833
<b>Lake</b>			
Incorporated	-0.33	20,385	20,317
County Total	0.24	64,702	64,857
<b>Lassen</b>			
Incorporated	5.00	8,201	8,611
County Total	0.33	23,196	23,273

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

**THE PUN GROUP LLP**

**CITY OF CALEXICO**

**Auditor - Corrected City Appropriations 2010-2018 (Using Population Factor selected by Council)**

Appropriation Limit Year	(a) Beginning Appropriation Limit	(b) Percentage Change in Per Capita Personal Income	(c) Percentage Change in County Population	(d) Percentage Change in City Population	(e) Population Factor	(f) Appropriation Change Factor	(g) Ending Appropriation Limit
2010-2011	\$ 21,426,831	-2.54%	2.19%	1.76%	2.19%	0.9959000	\$ 21,338,981
2011-2012	21,338,981	2.51%	1.79%	1.60%	1.79%	1.0434000	22,265,093
2012-2013	22,265,093	3.77%	1.03%	1.49%	1.49%	1.0532000	23,449,596
2013-2014	23,449,596	5.12%	1.40%	1.40%	1.40%	1.0659000	24,994,924
2014-2015	24,994,924	-0.23%	0.67%	0.49%	0.67%	1.0044000	25,104,902
2015-2016	25,104,902	3.82%	1.26%	0.93%	1.26%	1.0513000	26,392,783
2016-2017	26,392,783	5.37%	0.78%	0.30%	0.78%	1.0619000	28,026,496
2017-2018	28,026,496	3.69%	1.26%	0.64%	1.26%	1.0500000	29,427,821



May 2017

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, 2017, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2017-18. 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 2017-18 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, 2017.**

**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 M. COSTA  
Chief Deputy Director

Attachment