



CITY OF PACIFIC GROVE
300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Patricia Maitland, Finance Director
MEETING DATE: May 18, 2016
SUBJECT: Resolution establishing the Appropriations Limit for FY 2016-17 does not constitute a “Project” under California Environmental Quality Act (CEQA) Guidelines.
CEQA:

RECOMMENDATION

Hold a public hearing and approve a resolution establishing the Appropriations Limit as \$34,245,501 for Fiscal Year (FY) 2016-17.

DISCUSSION

Article XIII B of the California Constitution requires cities to adopt an annual Appropriations Limit, based on population and economic growth factors, as prescribed by State law. Staff has calculated the Appropriations Limit for FY 2016-17, and recommends that Council adopt a resolution establishing the limit at \$34,245,501. Estimated City tax revenue appropriations subject to the limit total \$16,367,000, indicating that the City is not at risk of exceeding its limit.

California’s State Appropriations Limit places a “ceiling” each year on the amount of monies that can be spent from local government tax proceeds. Most appropriations are subject to the Appropriations Limit, however, the law does allow exemptions for capital outlay, debt service and subventions. Tax proceeds in excess of the Limit over a two year period must be rebated to taxpayers.

The adoption of Proposition 4 in 1979 and amended by Proposition 98 in 1998 and Proposition 111 in 1990 established the requirement and procedure for establishing an Appropriations Limit for local agencies. In brief, the amount of revenue that the City is annually authorized to appropriate is limited by factors relating to changes in population and the economy. The population factor selected may either be the rate of change in population for the City or for the County. The economic factor selected may either be the change in California’s per capita income or the change in non-residential assessed property valuation. In other words, the formula works as follows:

$$\frac{(\% \text{ change in population (City or County)} + 100)}{100}$$

TIMES (multiplied by)

$$\frac{\text{EITHER}}{\text{(\% change in California per capita income + 100)}} \\ 100$$

$$\text{OR} \\ \frac{\text{(\% change in non-residential assessed valuation + 100)}}{100}$$

The value determined by the formula set forth above is then applied to the previous year's Limit to yield the new Appropriations Limit for the fiscal year.

Data on the change in California per capita income, county population, and city population for use in the calculation are provided by the State Department of Finance. Data on the change in value on assessed valuation from non-residential construction are provided by the Monterey County

Assessor's Office. For the Fiscal Year 2016-17 Appropriations Limit calculation, the data includes the following:

City of Pacific Grove population percentage change:	0.66%
Monterey County population percentage change:	0.96%
California per capita income percentage change:	5.37%
City of Pacific Grove percentage change in A.V. from Non-residential construction:	N/A*

*Source: Monterey County Assessor's Office; information currently not available

For every year since 1990, the City has chosen to use the largest factors possible, which in all years except 1996 and 2011 were the California per capita income and County population growth. Using the factors that yield the highest possible appropriation limit preserves optimal control and flexibility at the local level for matching resources to desired service levels.

Staff recommends using the California per capita income factor (5.37%) and the population growth rate for Monterey County (0.96%) as highlighted in bold above as the population change for the County exceeds the population change for the City.

Using these factors, the Appropriations Limit will be calculated as follows:

$$\frac{+0.96\% + 100}{100} \quad \times \quad \frac{5.37\% + 100}{100} \quad = \quad 1.0409$$

Applying the FY 2016-17 factor to the FY 2015-16 Appropriations Limit, which was \$32,191,203, the FY 2016-17 limit would be \$34,245,501.

The table on the following page shows the amount of appropriated revenue subject to the Appropriations Limit: Agenda No. 6B
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**CITY OF PACIFIC GROVE
APPROPRIATIONS SUBJECT TO LIMIT**

BUDGETED TAX REVENUES	Budget FY 2015/16	Budget FY 2016/17
Property Tax	4,480,000	4,617,000
Utility User Tax	1,475,000	1,501,000
Sales & Use Tax	3,334,000	3,677,000
Transient Occupancy Tax	3,200,000	4,695,000
Business License Tax	290,717	347,000
Other Taxes	70,000	109,000
Interest on Taxes	25,000	26,000
Motor Vehicle in Lieu Fees	1,354,000	1,395,000
Golf Fees for Transfer to General Fund for General Services	25,000	-
TOTAL BUDGETED TAX REVENUES	14,253,717	16,367,000
APPROPRIATIONS LIMIT	30,926,337	34,245,501
APPROPRIATIONS (OVER) UNDER LIMIT	16,672,620	17,878,501
PERCENTAGE OF REVENUES SUBJECT TO LIMIT	46.09%	47.79%

Based on the total amount of tax revenue estimated for FY 2016-17, which is \$16,367,000, the City of Pacific Grove is not at risk of exceeding its limit.

Section 65009(b)(2) of the California Government Code provides that legal challenges to the City’s action on this proposed matter shall be limited to issues raised in testimony during the public hearing process.

In the review of this matter, the City has followed those guidelines adopted by the State of California and published in the California Administrative Code, Title 14, Section 15000, et seq. Adoption of the Appropriations Limit does not constitute a “Project” as that term is defined under the California Environmental Quality Act (CEQA), CEQA Guideline section 15378.

FISCAL IMPACT

None.

ATTACHMENTS

1. Resolution
2. Notice of Public Hearing for establishing the Appropriations Limit
3. State of California Department of Finance information regarding calculation factor

RESPECTFULLY SUBMITTED:

P. A. Maitland

Patty Maitland
Finance Director

REVIEWED BY:

Ben Harvey

Ben Harvey
City Manager

Agenda No. 6B
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RESOLUTION NO. 16-xxx

**RESOLUTION ESTABLISHING THE FISCAL YEAR 2016-17 APPROPRIATION
LIMIT OF \$34,245,501**

FINDINGS

1. The City Council conducted a public hearing regarding the City's Fiscal Year 2016-17 appropriation limit on May 18, 2016.
2. The public hearing was noticed and advertised as required by law.
3. The Council received testimony and other evidence regarding the appropriation limit to be established for the City
4. The Council selects to use the change in California per capita personal income and change in population for the County of Monterey as adjustment factors in calculating the appropriation limit for Fiscal Year 2016-17.

**NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE
CITY OF PACIFIC GROVE:**

1. The foregoing Findings are adopted as findings of the City Council as though set forth fully herein.
2. The Council establishes the appropriations limit of \$34,245,501 for Fiscal Year 2016-17.
3. The Notice of Public Hearing and State of California Department of Finance calculation factors are hereby approved as attached to this Resolution, which by this reference are incorporated as set forth in its entirety.
4. This Resolution shall become effective immediately following passage and adoption thereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE
this 18th day of May, 2016, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

WILLIAM KAMPE, Mayor

ATTEST:

SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

DAVID C. LAREDO, City Attorney

City of Pacific Grove

PUBLIC HEARING NOTICE

NOTICE IS HEREBY GIVEN THAT the City Council of the City of Pacific Grove will hold a public hearing on **Wednesday, May 18, 2016, at 6:00 p.m.**, at the City Council Chambers in City Hall, 300 Forest Avenue in Pacific Grove, California, to consider a resolution establishing the City's Appropriation Limit for Fiscal Year 2016-17. Copies of the proposed resolution are available at the City Clerk's office in City Hall at 300 Forest Avenue.

The City of Pacific Grove does not discriminate against persons with disabilities. Pacific Grove City Hall is an accessible facility. If you require any special accommodation, contact the City Clerk at (831) 648-3181.

Please note that Section 65009(b)(2) of the Government Code provides that legal challenges to the City's action on this proposed matter may be limited to only those issues raised in testimony during the public hearing process.

Sandra Kandell
Deputy City Clerk

Dated:



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2016

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, 2016, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2016-17. 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 2016-17 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, 2016.

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 COSTA
Chief Deputy Director

Attachment

May 2016

Attachment A

- 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 2016-17 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2016-17	5.37

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2016-17 appropriation limit.

2016-17:

Per Capita Cost of Living Change = 5.37 percent
Population Change = 0.90 percent

Per Capita Cost of Living converted to a ratio: $\frac{5.37 + 100}{100} = 1.0537$

Population converted to a ratio: $\frac{0.90 + 100}{100} = 1.0090$

Calculation of factor for FY 2016-17: $1.0537 \times 1.0090 = 1.0632$

Fiscal Year 2016-17

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016

County City	<u>Percent Change</u> 2015-2016	<u>Population Minus Exclusions</u>		<u>Total</u>
		1-1-15	1-1-16	1-1-2016
Monterey				
Carmel-By-The-Sea	0.24	3,824	3,833	3,833
Del Rey Oaks	0.66	1,655	1,666	1,666
Gonzales	0.74	8,411	8,473	8,473
Greenfield	2.94	16,947	17,446	17,446
King City	1.52	14,008	14,221	14,221
Marina	2.37	20,496	20,982	20,982
Monterey	0.38	24,698	24,792	28,610
Pacific Grove	0.66	15,251	15,352	15,352
Salinas	0.98	159,486	161,042	161,042
Sand City	1.33	376	381	381
Seaside	-0.38	30,260	30,166	34,071
Soledad	0.80	16,510	16,642	25,556
Unincorporated	0.90	104,121	105,053	105,545
County Total	0.96	416,063	420,049	437,178

Fiscal Year 2016-17

Attachment C
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016

County	<u>Percent Change</u> 2015-16	<u>Population Minus Exclusions</u> 1-1-15	<u>1-1-16</u>
Los Angeles			
Incorporated	0.92	9,097,516	9,180,783
County Total	0.85	10,145,677	10,231,861
Madera			
Incorporated	0.89	77,134	77,822
County Total	0.51	148,390	149,150
Marin			
Incorporated	0.37	192,798	193,503
County Total	0.33	257,480	258,318
Mariposa			
Incorporated	0.00	0	0
County Total	-0.11	18,086	18,066
Mendocino			
Incorporated	0.32	29,093	29,185
County Total	0.23	87,991	88,192
Merced			
Incorporated	1.25	176,247	178,451
County Total	1.03	267,743	270,493
Modoc			
Incorporated	-0.37	2,694	2,684
County Total	-0.06	9,544	9,538
Mono			
Incorporated	0.22	8,006	8,024
County Total	-0.26	13,624	13,589
Monterey			
Incorporated	0.98	311,942	314,996
County Total	0.96	416,063	420,049

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