



**CITY OF PACIFICA
COUNCIL AGENDA SUMMARY REPORT**

6/25/2018

SUBJECT:

Proposed Resolution Establishing the Appropriation Limit for Fiscal Year 2018-2019 Pursuant to Article XIII B of the California State Constitution and Accept Independent Accountant's Report on 2017-2018 Appropriations Limit

RECOMMENDED ACTION:

(1) Approve the use of percentage change in California per capita personal income growth (3.67%) and the County of San Mateo population growth (0.50%). (2) Adopt the Resolution for the Appropriations Limit for fiscal year 2018-2019 and (3) Accept the Independent Accountant's Report on 2017-2018 Appropriations Limit Increment and the Memorandum on Internal Control and Required Communications Letter.

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BACKGROUND/DISCUSSION:

Appropriations Limit for Fiscal Year 2018-2019 Pursuant to Article XIII B of the California State Constitution (Attachments 1 & 2)

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government.

In order to deal with an increasing number of complaints about the restrictions of Proposition 4, the voters approved Proposition 111 in June 1990. Among other things, Proposition 111 provides new adjustment formulas that should make the Appropriation Limit more restrictive to local growth issues. Each City may choose the growth in the California Per Capita Income, or the growth in the non-residential assessed valuation due to new construction within the City. It also requires an annual review of limit calculations.

Instead of using only the population growth of the City, each City may choose to use the population growth within its County. These are both annual elections. Additionally, each City must conduct a review of its Appropriation Limit during the annual fiscal audit.

Calculations for fiscal year 2018-2019 using the adjustment formulas provided by Proposition

111 are attached. City appropriations subject to limitation for 2018-2019 are \$25,367,888. Using the change in the percentage change in the California Per Capita Income (3.67%) and the County's population (0.50%) in accordance with Proposition 111, our Appropriations Limit is \$42,269,940.

As a result, appropriations subject to the limit are 60.01% of the limit, meaning the City is well below the maximum appropriation limit.

Agreed Upon Procedure Reports on Compliance with Proposition 111- 2017-2018 Appropriations Limit Increment (Attachment 3)

The requirements of Section 1.5 Article XIII B of the California Constitution is met with an agreed upon procedure report applied to the Appropriation Limit calculated for the year ending June 30, 2017. The agreed-upon procedures report for the Gann Appropriation Limit required three steps to be performed including testing the accuracy of the calculations and comparison of information presented. For the year ended June 30, 2017, no exceptions were noted by the Auditors in the three steps.

FISCAL IMPACT:

None.

ORIGINATED BY:

Finance Department
Administrative Services

ATTACHMENT LIST:

- Attachment 1 - ANNUAL APPROPRIATION EXPLANATION 18-19 for Budget (DOCX)
- Attachment 2 - GANN Appropriation Calc 2018-19 (XLSX)
- Attachment 3 - Gann Limit 2017-2018 (PDF)



RESOLUTION NO. _____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFICA ESTABLISHING THE APPROPRIATION LIMIT FOR FISCAL YEAR 2018-2019 PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA STATE CONSTITUTION

WHEREAS, Proposition 4 was adopted by voters on November 6, 1979, thereby adding Article XIII B of the California State Constitution, and

WHEREAS, it is the desire of the City Council of the City of Pacifica to establish the Appropriation Limit for fiscal year 2018-2019 pursuant to Article XIII B of the California State Constitution.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF PACIFICA THAT:

1. the appropriations subject to limitations for the fiscal year 2018-2019 were \$25,367,888;
2. the January 1, 2018 factors for the California per capita personal income increased by 3.67% and the population of the County of San Mateo increased by 0.50%;
3. the Appropriation Limit subject to limitation for the fiscal year 2018-2019 totals \$42,269,940; and

BE IT FURTHER RESOLVED THAT \$42,269,940 is hereby appropriated to “Reserve for General Operations.” The appropriations authorized by the adopted budget shall be chargeable to said account. Any unspent or unencumbered budget appropriations, and any balance of appropriations in the Reserve account shall not be expended without prior authorization from the City Council of the City of Pacifica, and

BE IT FURTHER RESOLVED that any revenues from proceeds of taxes and user fees in excess of costs received during the fiscal year 2018-2019 over and above the appropriated limit of \$42,269,940 must be returned to the taxpayers of the City of Pacifica in accordance with the procedure to be adopted by the Council of the City of Pacifica when such amount of refund is determined.

PASSED AND ADOPTED at a regular meeting of the City Council of the City of Pacifica, California, held on the 25th day of June, 2018, by the following vote:

AYES: Council Members,

NOES: Council Members,

ABSENT: Council Members,

ABSTAIN: Council Members,

John Keener, Mayor

ATTEST:

Kathy O'Connell, City Clerk

APPROVED AS TO FORM:

Michelle Kenyon, City Attorney