



AGENDA REPORT

SAN CLEMENTE CITY COUNCIL MEETING
Meeting Date: June 4, 2019

Agenda Item 6-5
Approvals:
City Manager [Signature]
Dept. Head [Signature]
Attorney _____
Finance [Signature]

Department: Finance
Prepared By: Jake Rahn, Financial Services Officer

Subject: *ESTABLISHING APPROPRIATIONS LIMIT FOR FISCAL YEAR (FY) 2019-20*

Fiscal Impact: None

Summary: The California Constitution limits the amount an individual city can budget (appropriate) from tax revenue proceeds each year. This limit, called an "appropriations limit", is calculated by each City annually and must be established via a formal resolution of the City's governing body. For FY 2019-20 the City of San Clemente's calculated appropriations limit is \$93,387,706. The amount the City is budgeting from proceeds of taxes for FY 2019-20 is well below that limit.

Background: Article XIII B of the California Constitution specifies that cities annually establish an appropriations limit by formal resolution of the City's governing body. Article XIII B further specifies this limit may increase annually by a factor comprised of the changes in population for the City or the County (whichever is higher), combined with either the change in California per capita personal income or the change in the local assessment roll due to nonresidential construction. The State Department of Finance transmits an estimate of the percentage change in population to local governments annually, per California Revenue and Taxation Code Section 2227. This information is used to establish the FY 2019-20 appropriations limit.

Discussion: The calculation of San Clemente's appropriation limit for FY 2019-20 is presented on the Exhibits attached to this report. For the FY 2019-20 calculation, the annual adjustment factor is based on population change for the County of Orange and the change in California per capita income. Using these in the calculation results in an overall increase in the appropriations limit of \$3,722,165 for a total of \$93,387,706. The budgeted proceeds of taxes total \$50,057,994, which represents 54% of the amount the City is entitled to appropriate for FY 2019-20. In addition, the City remains in compliance with the appropriations limit for FY 2018-19.

Recommended

Action: STAFF RECOMMENDS THAT the City Council
1) Adopt Resolution No. _____ entitled: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, ESTABLISHING AN APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

Attachments: 1) Resolution No. _____ entitled: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, ESTABLISHING AN APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION
2) Exhibit I – Appropriations Limit Computation for Fiscal Year 2019-20

Notification: None.

RESOLUTION NO.

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SAN CLEMENTE, CALIFORNIA, ESTABLISHING AN APPROPRIATIONS LIMIT 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 limitation of each government entity, including this City, shall not exceed the appropriations limit of such government entity for the prior year adjusted for changes in the local assessment roll for non-residential construction or personal income and population, except as otherwise provided in said Article XIII B and implementing State Statutes; and

WHEREAS, pursuant to Article XIII B of the California Constitution, and Section 7900 et seq. of the California Government Code, the City is required to establish its annual appropriations limit; and

WHEREAS, the City of San Clemente has calculated and determined that the appropriations limit be established in the amount of \$93,387,706 for the Fiscal Year 2019-20 (the "Appropriations Limit").

NOW, THEREFORE, The City Council of the City of San Clemente does hereby resolve as follows:

Section 1. The City Council of the City of San Clemente, California finds that the Appropriations Limit in the amount of \$93,387,706 is hereby established for said Fiscal Year 2019-20.

Section 2. That all supporting documentation used in the determination of the Appropriations Limit shall be made available at the City Finance offices during normal business hours for the personal inspection of the public.

Section 3. The City Clerk shall certify to the passage and adoption of this resolution and enter it into the book of original resolutions.

PASSED AND ADOPTED this _____ day of _____, _____.

ATTEST:

City Clerk of the City of
San Clemente, California

Mayor of the City of San
Clemente, California

STATE OF CALIFORNIA)
COUNTY OF ORANGE) §
CITY OF SAN CLEMENTE)

I, JOANNE BAADE, City Clerk of the City of San Clemente, California, do hereby certify that Resolution No. _____ was adopted at a regular meeting of the City Council of the City of San Clemente held on the _____ day of _____, _____, by the following vote:

AYES:

NOES:

ABSENT:

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the official seal of the City of San Clemente, California, this _____ day of _____, _____.

CITY CLERK of the City of
San Clemente, California

Approved as to form:

City Attorney

City of San Clemente
Article XIII B: Appropriations Limit Computation
For The Fiscal Year 2019-20

1. Appropriations limit for FY 2018-19	\$ 89,665,541	(1)
2. Annual Adjustment Factor		
a. Per capita personal income change	3.85%	(2)
b. Population change	0.29%	(3)
(1.0385 times 1.0029)		
	<u>1.04151165</u>	
3. FY 2018-19 limit times annual adjustment factor	93,387,706	
4. Less FY 2018-19 excess user fees or other alterations	<u>0</u>	
5. Appropriations Limit for FY 2019-20	93,387,706	
6. FY 2019-20 proceeds from taxes	<u>50,057,994</u>	
7. Margin	<u><u>\$ 43,329,712</u></u>	

Notes:

- (1) Established by Resolution 18-18
- (2) Source is the State Department of Finance
- (3) The higher of the City population change or the total County population change is used for this factor. For FY 2019-20, the County change exceeds the City. The difference in County population of 3,221,790 at 1/2019 and population of 3,212,533 at 1/2018 divided by 3,212,533 = 0.29%