



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

AGENDA REPORT

TO: HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL
FROM: Director of Management and Budget James L. Becklenberg
MEETING DATE: June 18, 2008
SUBJECT: CONSIDER ADOPTION OF A RESOLUTION
ESTABLISHING THE APPROPRIATIONS LIMIT FOR
FISCAL YEAR 2008/09.
State Law requires cities to establish an Appropriations Limit annually, based on a procedure prescribed by State Law. The City Council will consider a resolution in compliance with this requirement.
CEQA STATUS This action does not constitute a "Project" as defined by CEQA.

RECOMMENDATION:

Approve the attached resolution establishing the Appropriations Limit as \$26,949,408 for Fiscal Year 2008/09.

EXECUTIVE SUMMARY:

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 2008/09, and recommends that Council adopt a resolution establishing the limit at \$26,949,408. Estimated city revenue appropriations subject to the limit total \$11,666,045, indicating that the City is not at risk of exceeding its limit.

DISCUSSION:

The adoption of Proposition 4 in 1979 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 changes to population and 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 (i.e., multiplied by)

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

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

The value determined by the formula set forth above is then applied to the previous Appropriations Limit to yield the new Appropriations Limit.

Data on California per capita income, county population, and city population for use in the calculation is provided by the State Department of Finance. Data on the value on assessed valuation from non-residential construction is provided by the Monterey County Assessor's Office. For the FY 2008/09 appropriations limit calculation, the data include:

City of Pacific Grove population percentage change:	+0.42
Monterey County population percentage change:	+1.56
California per capita income percentage change:	+4.29
City of Pacific Grove percentage change in A.V. from non-residential construction:	Not Available*

* At this time, staff has not obtained this factor from the Monterey County Assessor's Office. For FY 2007/08, the factor was +0.01%. Given the relatively low level of commercial construction activity in the current year, staff believes the factor would be similar for FY 2008/09, and therefore not a desirable factor to use in calculating the appropriations limit.

For every year since 1990, the City has chosen to use the largest factors possible, which in all years except 1996 were California per capita income and County population growth. This year is no exception. 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 (4.29%) and the population growth rate for Monterey County is (1.56), as highlighted in bold above.

Using these factors, the appropriations limit will be calculated as follows:

$$\frac{1.56\% + 100}{100} \times \frac{4.29\% + 100}{100} = 1.0592$$

Applying the FY 2008/09 factor to the FY 2007/08 appropriations limit, which was \$25,443,173, the FY 2008/09 limit would be \$26,949,408. The table below shows the amount of appropriated revenue subject to the appropriations limit.

Revenue Appropriations Subject to the Appropriations Limit

	Budget FY 07/08	Estimated Actual FY 07/08	Budget FY 08/09
Property Tax	\$3,912,500	\$3,722,038	\$3,665,806
Utility Use Tax, Gas and Electric	772,000	754,528	119,000
Utility User Tax, Telephone	296,000	302,957	309,000
Utility Use Tax, Water	161,000	164,550	206,000
Utility Use Tax, Cable TV	194,000	202,000	206,040
Sales and Use Tax	1,696,000	1,681,570	1,556,726
Transient Occupancy Tax	3,245,000	3,348,135	3,348,135
Business License Tax	304,500	300,580	285,551
Real Estate Transfer Tax	90,000	50,000	40,000
Interest on Taxes (prorated)	25,000	-2,138	23,100
Motor Vehicle in Lieu Fees	1,260,000	1,186,687	1,186,687
Golf fees for transfer to General Fund for general services	400,000	40,000	720,000
TOTAL SUBJECT TO LIMIT	\$12,356,000	\$11,750,907	\$11,666,045

Based on the total amount of revenue estimated for FY 2008/09, which is \$11,666,045, Pacific Grove is not at risk of exceeding its limit.

Section 65009(b)(2) of the 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.

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.

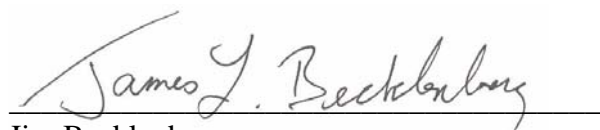
FISCAL IMPACT:

None.

ATTACHMENTS:

1. Draft Resolution establishing the Appropriations Limit for 2008/09.
2. Copy of the notice of public hearing for establishing the appropriations limit.
3. State of California Department of Finance information regarding calculation factors.

RESPECTFULLY SUBMITTED:


 Jim Becklenberg
 DIRECTOR OF MANAGEMENT AND BUDGET

REVIEWED BY:


 Digitally signed: I have reviewed this document
 James J. Colangelo
 CITY MANAGER

RESOLUTION NO. 08-

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE
ESTABLISHING APPROPRIATION LIMIT FOR FISCAL YEAR 2008/2009**

WHEREAS, on June 18, 2008, this Council conducted a public hearing regarding the City's appropriation limit for Fiscal Year 2008/2009; and

WHEREAS, the public hearing was noticed and advertised as required by law; and

WHEREAS, the Council received testimony and other evidence regarding the appropriation limit to be established for the City; Section 65009(b)(2) of the 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; and

WHEREAS, 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.

NOW, THEREFORE, THE COUNCIL OF THE CITY OF PACIFIC GROVE DOES RESOLVE AS FOLLOWS:

SECTION 1. The City Council determines each of the Findings set forth above to be true and correct, and by this reference incorporates those Findings as an integral part of this Resolution.

SECTION 2. This Council selects to use the growth in California Per Capita Income and the total population growth of Monterey County as adjustment factors to determine the appropriation limit for Fiscal Year 2008/2009.

SECTION 3. The City's appropriation limit for Fiscal Year 2008/2009 is hereby established at \$26,949,408.

SECTION 4. If any provision, section, paragraph, sentence, clause or phrase of this resolution, or any part thereof, or the application thereof to any person or circumstance is for any reason held to be invalid or unconstitutional by a court of competent jurisdiction, such decision shall not affect the validity of the remaining portions of this resolution, or any part thereof, or its application to other persons or circumstances. The City Council hereby declares that it would have passed and adopted each provision, section, paragraph, subparagraph, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, paragraphs, subparagraphs, sentences, clauses or phrases, or the application thereof to any person or circumstance, be declared invalid or unconstitutional.

SECTION 5. This resolution shall become effective immediately following passage and adoption hereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 18th day of June, 2008, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

DANIEL E. CORT, Mayor

ATTEST:

CHARLENE WISEMAN, 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, June 18, 2007, 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 2007/08. 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) 648-3172.

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.

Charlene Wiseman
City Clerk

Dated: June 3, 2007



ARNOLD SCHWARZENEGGER, GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2008

Dear Fiscal Officer:

Subject: Price and Population Information**Appropriations Limit**

The California Revenue and Taxation Code, Section 2227, mandates 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, 2008, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2008-09. Enclosure I provide 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 2008-09 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas population percentage changes. 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. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9, of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/.const/.article_13B" for additional information. 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 issue should be referred to their respective county for clarification, or to their legal representation, or to 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, 2008.**

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 C. GENEST
Director
By:

ANA J. MATOSANTOS
Chief Deputy Director

Enclosure

Fiscal Year 2008-2009

May 2008

Enclosure I

- 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 2008-2009 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2008-2009	4.29

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2008-2009 appropriation limit.

2008-2009:

Per Capita Cost of Living Change = 4.29 percent
 Population Change = 1.31 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.29 + 100}{100} = 1.0429$

Population converted to a ratio: $\frac{1.31 + 100}{100} = 1.0131$

Calculation of factor for FY 2008-2009: $1.0429 \times 1.0131 = 1.0566$

Fiscal Year 2008-2009

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2007 to January 1, 2008 and Total Population, January 1, 2008

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2007-2008	1-1-07	1-1-08	1-1-2008
Monterey				
Carmel-By-The-Sea	0.20	4,041	4,049	4,049
Del Rey Oaks	0.25	1,623	1,627	1,627
Gonzales	0.99	8,717	8,803	8,803
Greenfield	4.38	16,589	17,316	17,316
King City	3.14	11,491	11,852	11,852
Marina	1.36	18,914	19,171	19,171
Monterey	1.14	25,042	25,328	29,322
Pacific Grove	0.42	15,408	15,472	15,472
Salinas	1.13	149,208	150,898	150,898
Sand City	-0.67	300	298	298
Seaside	2.11	29,506	30,130	34,194
Soledad	3.61	16,537	17,134	27,905
Unincorporated	1.51	105,635	107,229	107,642
County Total	1.56	403,011	409,307	428,549

(*) Exclusions include residents on federal military installations and group quarters' residents in state mental institutions, and state and federal correctional institutions.