



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

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council
FROM: Anthony S. McFarlane, Senior Accountant
MEETING DATE: June 16, 2010
SUBJECT: Hold a Public Hearing and Consider a Resolution Establishing the Appropriations Limit for Fiscal Year 2010/11
CEQA: Does not constitute a "Project" under California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

Hold a public hearing and approve the attached resolution establishing the Appropriations Limit as \$26,866,672 for Fiscal Year 2010/11.

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 2010/11, and recommends that the City Council adopt a resolution establishing the limit at \$26,866,672. Estimated City revenue appropriations subject to the limit total \$12,552,789, indicating that the City is not at risk of exceeding its limit.

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 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)

EITHER

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

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 regarding the change in value on assessed valuation from non-residential construction are provided by the Monterey County Assessor’s Office. For the Fiscal Year 2010/11 Appropriations Limit calculation, the data includes the following:

City of Pacific Grove population percentage change:	1.14
Monterey County population percentage change	1.37
California per capita income percentage change:	-2.54
City of Pacific Grove percentage change in A.V. from non-residential construction:	Not Available*

* At this time, staff has not obtained the factor from the Monterey County Assessor's Office.

For every year since 1990, the City has chosen to use the largest factors possible, which in all years except 1996 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 (-2.54) and the population growth rate for Monterey County (+1.37) as highlighted in bold above.

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

$$\frac{+1.37\% + 100}{100} \times \frac{-2.54\% + 100}{100} = 0.99\%$$

Applying the FY 2010/11 factor to the FY 2009/10 Appropriations Limit, which was \$27,138,053, the FY 2010/11 would be \$26,866,672. The table on the following page shows the amount of appropriated revenue subject to the Appropriations Limit.

Revenue Appropriations Subject to the Appropriations Limit

	Budget FY 09/10	Estimated Actual FY 09/10	Budget FY 10/11
Property Tax	\$ 3,843,544	\$ 3,963,967	\$ 3,911,152
Utility Use Tax, Gas and Electric	762,550	685,272	782,750
Utility Use Tax, Telephone	350,112	336,863	362,100
Utility Use Tax, Water	267,800	193,208	263,160
Utility Use Tax, Cable TV	208,216	215,703	206,040
Sales and Use Tax	2,412,930	2,469,009	2,582,728
Transient Occupancy Tax	2,691,088	2,630,296	2,849,302
Business License Tax	243,000	306,153	300,950
Real Estate Transfer Tax	48,145	43,368	63,000
Interest on Taxes (prorated)	78,850	68,260	65,000
Motor Vehicle in Lieu Fees	1,092,047	1,202,055	1,127,622
Golf Fees for transfer to General Fund for general services	360,000	75,000	38,985
TOTAL SUBJECT TO LIMIT	\$ 12,358,282	\$ 12,189,154	\$ 12,552,789

Based on the total amount of revenue estimated for FY 2010/11, which is \$12,552,789, 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 establishing the Appropriations Limit for 2010/11.
2. Notice of Public Hearing for establishing the Appropriations Limit.
3. State of California Department of Finance information regarding calculation factors.

RESPECTFULLY SUBMITTED:

Anthony McFarlane
SENIOR ACCOUNTANT

REVIEWED BY:

THOMAS FRUTCHET

Thomas Frutchey
CITY MANAGER

RESOLUTION NO. 10-_____

**RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE
ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2010/2011**

WHEREAS, on June 16, 2010, the City Council conducted a public hearing regarding the City’s Appropriations Limit for Fiscal Year 2010/2011; and

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

WHEREAS, the Council received testimony and other evidence regarding the Appropriations Limit to be established for the City;

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

SECTION 1. The foregoing recitals are adopted as findings of the City Council as though set forth fully herein.

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 Appropriations Limit for Fiscal Year 2010/2011.

SECTION 3. The City’s Appropriations Limit for Fiscal Year 2010/2011 is hereby established at \$26,866,672.

SECTION 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 16th day of June, 2010, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

CARMELITA GARCIA, Mayor

ATTEST:

THOMAS FRUTCHEY, 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 16, 2009, 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 2010/11. 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 Deputy 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.

James L. Becklenberg
City Clerk

Dated: June 1, 2010



ARNOLD SCHWARZENEGGER, GOVERNOR

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

May 2010

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, 2010, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2010-2011. Enclosure I 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 2010-2011 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county's and incorporated area's summed 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 box: "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(C), 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, 2010.**

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.

May 2010

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 2010-2011 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2010-2011	-2.54

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2010-2011 appropriation limit.

2010-2011:

Per Capita Cost of Living Change = -2.54 percent
Population Change = 1.03 percent

Per Capita Cost of Living converted to a ratio: $\frac{-2.54 + 100}{100} = .9746$

Population converted to a ratio: $\frac{1.03 + 100}{100} = 1.0103$

Calculation of factor for FY 2010-2011: $.9746 \times 1.0103 = .9846$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2009 to January 1, 2010 and Total Population, January 1, 2010

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2009-2010	1-1-09	1-1-10	1-1-2010
Monterey				
Carmel-By-The-Sea	0.62	4,028	4,053	4,053
Del Rey Oaks	1.17	1,630	1,649	1,649
Gonzales	1.19	9,007	9,114	9,114
Greenfield	2.20	17,512	17,898	17,898
King City	1.18	11,999	12,140	12,140
Marina	1.15	19,224	19,445	19,445
Monterey	1.25	25,377	25,695	29,455
Pacific Grove	1.14	15,506	15,683	15,683
Salinas	1.09	152,285	153,948	153,948
Sand City	5.45	312	329	329
Seaside	1.16	30,315	30,668	34,628
Soledad	3.70	17,464	18,111	27,929
Unincorporated	1.47	107,812	109,400	109,607
County Total	1.37	412,471	418,133	435,878

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