

**CITY OF ALBANY
CITY COUNCIL AGENDA
STAFF REPORT**

Agenda Date: September 4, 2018
Reviewed by: NA

SUBJECT: Adoption of Update to the Appropriation Limit - Resolution No. 2018-103 Establishing the Appropriations Limit for the 2018-19 Fiscal Year

REPORT BY: Elizabeth Hudson, Finance Consultant
Heather Rowden, Finance Director

SUMMARY

Annually State law provides for the updating of the Appropriations Limit based on specific formulas under State Law. The Limit restricts appropriations that can be made from “proceeds of taxes”. The appropriations in the City Budget remain below the limit; however, it is important to update the calculation each year. The 2018-2019 adjustment is based on the factors prescribed under State Law.

STAFF RECOMMENDATION

That the Council adopt Resolution No. 2018-103 establishing the 2018-2019 Appropriation Limit at \$21,802,682.

BACKGROUND

The State Constitution includes a restriction on the amount that local governments may appropriate from “proceeds of taxes.” The Appropriations Limit (Limit) was established based on appropriations during the 1978-79 Fiscal Year, and it is increased each year based on specified factors. The Limit may also be referred to as the Gann Limit or Proposition 4 Limit.

The adoption of the adjustment must be done at a noticed meeting and there must be a recorded vote of the City Council regarding the selection of optional factors selected for the adjustment calculation. As part of the annual external audit, the City Auditors review the computation of the adjustment to the limit and report any findings. The adoption of the adjustment is typically presented at the same time as the Budget for the specific year. California Government Code section 7910(a) requires the documentation used to determine the appropriations limit to be available for fifteen days prior to adoption. The prior calculation was incorporated as Appendix B of the Budget document presented at the City Council Meeting on June 19, 2017. As this is the middle of the City’s two-year budget the calculation is being done independent of budget adoption.

2018-2019 Formula Used to Make Adjustments

The annual adjustment is based on a formula which includes two categories of adjustment factors. The City has the discretion to choose one factor from each of the categories as noted below:

CATEGORY A – CHANGE IN POPULATION

- Change in City of Albany population, (2.18%); or
- Change in population for Alameda County, (.84%).

CATEGORY B – CHANGE IN STATE INCOME OR NON-RESIDENTIAL VALUATION

- Change in State Per Capita Income, (3.67%); or
- Change in City of Albany non-residential assessed valuation, (.032%).

Staff prepared the calculations necessary to adopt the Limit for Fiscal Year 2018-2019 in accordance with State Law and the Uniform Guidelines of the League of California Cities. The discretionary factors selected in calculating the 2018-2019 Limit are: (1) the change in the Albany Population; and (2) the change in State Per Capita Income. A Public Notice was posted more than 15 days prior to the City Council meeting announcing that the factors used to compute the adjustment to the limit were available.

The new Fiscal Year 2018-2019 limit is proposed to be adopted as \$21,802,682. The following summarizes the key calculation factors:

SUMMARY OF CALCULATION FACTORS (Prepared By Albany Finance Department)

Fiscal Year 2017-2018 Limit As Adopted (Resolution No. 2017-44)	\$20,582,159
Selected 2016/2017 Adjustment Factors:	
Change In Population – Albany	(2.18 + 100)/100 = 1.0218
Change in State Per Capita Income	(3.67 + 100)/100 = <u>1.0367</u>
Fiscal Year 2018-2019 Adjustment Factor	= 1.0593%
Calculated Increase In Limit	<u>\$ 1,220,523</u>
Fiscal Year 2018-2019 Appropriations Limit	\$21,802,682

As shown above, the percentage increase in the limit is 5.93% which is then applied to the Limit established for the previous Fiscal Year (2017-2018).

Staff separately calculated the 2018-2019 appropriations that are subject to the Appropriations Limit. The adopted City of Albany Fiscal Year 2018-2019 Operating Budget included \$18,271,552 of appropriations that would be categorized as “Proceeds of Taxes” and subject to the Limit. Therefore, appropriations for the Fiscal Year are \$3,531,130 below the Limit.

FINANCIAL IMPACT

Adoption of the adjustment to the Appropriations Limit will not have a financial impact.

Attachments

1. Resolution No. 2018- 103 a Resolution of the Albany City Council Establishing the 2018-2019 Appropriation Limit at \$21,802,682.

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RESOLUTION #2018-103

**A RESOLUTION OF THE ALBANY CITY COUNCIL ESTABLISHING THE
APPROPRIATIONS LIMIT FOR THE 2018-19 FISCAL YEAR**

WHEREAS, annually State law requires that an Appropriations Limit be adopted by the City Council; and

WHEREAS, Article XIII B of the California Constitution places certain restrictions on appropriations made by local governments; and

WHEREAS, the restrictions are applicable to appropriations that meet the definition of “Proceeds of Taxes”; and

WHEREAS, the law allows the option to select the factors to be used to calculate the annual Appropriations Limit; and

WHEREAS, for one of the adjustment factors the City must select between: (A) the change in the City of Albany population, or (B) the change in the Alameda County population, and the City has selected the change in the Albany City population; and

WHEREAS, for the second adjustment factor the City must select between: (1) the change in the State per capita income, or (2) the change in the assessed valuation of local non-residential construction, and the City has selected the change in the State per capita income; and

WHEREAS, the calculation of the Appropriations Limit for Fiscal Year 2018-2019 is described in Attachment 1, attached hereto and by reference made a part hereof.

1 **NOW, THEREFORE, BE IT RESOLVED** that the Albany City Council, does
2 hereby establish the appropriations limit for fiscal year 2018-2019 as \$21,802,682; and
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4 **BE IT FURTHER RESOLVED** that the Limit has been calculated in accordance
5 with State Law as shown in Attachment 1, attached hereto.
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7 **BE IT FURTHER RESOLVED** that said appropriation limit herein established
8 may be changed, as deemed necessary, by resolution of the Albany City Council.
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15 PEGGY MCQUAID
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**ATTACHMENT 1
CITY OF ALBANY RESOLUTION No. 2018-103
ADOPTION OF FISCAL YEAR 2018-19 APPROPRIATIONS LIMIT**

A. Selection of Optional Factors

1. Change In Population – City of Albany or Alameda County

Population	1/1/2017	1/1/2018	% Increase
a. City of Albany	18,646	19053	2.18 %
b. County of Alameda	1,643,219	1,656,996	0.84%

The selected factor is 1(a). City of Albany growth of 2.18%

2. Change in State Per Capita Personal Income vs. Change In City Non-Residential Building Construction

Factors	% Change
a. Change in State Per Capita Personal Income	3.67%
b. Change in Albany New Non-Residential Assessed Valuation	0..032%

The selected factor is 2(a). Change in State Per Capita Income 3.67%

B. Fiscal Year 2018-2019 Growth Adjustment Factor

Calculation of the adjustment factor = X * Y

Where :

$$X = \frac{\text{Selected Factor \#1} + 100}{100} = \frac{2.18+100}{100} = 1.0218$$

$$Y = \frac{\text{Selected Factor \#2} + 100}{100} = \frac{3.67+100}{100} = 1.0367$$

FY 2018-2019 ADJUSTMENT FACTOR (X * Y) = 1.0593

C. Fiscal Year 2018-2019 Calculation of Appropriations Limit

Fiscal Year 2017/2018 Limit (<i>Reso. 2017-44</i>)	\$20,582,159
Fiscal Year 2018/2019 Adjustment Factor	<u>x 1.0593</u>
FISCAL YEAR 2018-2019 Appropriations Limit	\$21,802,682

**Appropriations Subject To Limit : \$18,271,552
Fiscal Year 2018/2019 is \$3,531,130 below the limit**