



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 17, 2008

ITEM NUMBER:

SUBJECT: ADOPTION OF FISCAL YEAR 2008-2009 APPROPRIATIONS LIMIT

DATE: JUNE 4, 2008

FROM: FINANCE DEPARTMENT /FINANCIAL PLANNING DIVISION

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: MARC PUCKETT AT (714) 754-5243

RECOMMENDED ACTION

Adopt Resolution establishing the Fiscal Year 2008-2009 Appropriations Limit for the City of Costa Mesa at \$163,517,932 by using the County of Orange's population growth for population adjustment, and the California per capita income growth for inflationary adjustment.

BACKGROUND

Since the addition of Article XIII-B to the Constitution of the State of California in November 1979, the City has been required to establish annually an Appropriations Limit. In June 1990, Article XIII-B and its implementing legislation Chapter 1205/80, were modified by Proposition 111 and Senate Bill 88. The modifications changed the annual adjustment factors for determining the Appropriations Limit. Beginning with the calculation of the Fiscal Year 1990-1991 Appropriations Limit, the City may choose one of the following factors to use for inflationary adjustment:

- 1) The growth in California per capita income; or
- 2) The growth in the non-residential assessed valuation due to new construction within the City.

In addition, the City may choose to use either the population growth of the City or the population growth within the County. These two adjustment factors (one for inflation and one for population) are both annual elections for the City in determining its Appropriations Limit for the following Fiscal Year.

ANALYSIS

The methodology used to determine the City's Appropriations Limit is to multiply the inflation and population adjustment factors by the prior year's Appropriations Limit. For Fiscal Year 2008-2009, the inflation and population figures provided by the State Department of Finance are as follows:

California Per Capita Income Percentage Change	4.29%
County of Orange's Population Growth	1.02%

Since the growth in non-residential assessed valuation due to new construction is not available at this time, the growth in California Per Capita Income must be used as the inflationary factor. The City's

Appropriations Limit for Fiscal Year 2008-2009 is calculated at \$163,517,932. This amount is the result of applying the 4.29% per capita personal income factor and the 1.02% Orange County population factor to the Fiscal Year 2007-2008 adopted Appropriations Limit of \$155,213,984.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2008-2009 is \$90,980,000. This estimate is \$72,537,932 or 44.36% below the Appropriations Limit for Fiscal Year 2008-2009.

ALTERNATIVES CONSIDERED

None. Section 7910 of the Government Code of the State of California requires the City to establish an annual Appropriations Limit.

FISCAL REVIEW

The City is \$72,537,932 or 44.36% below the proposed Fiscal Year 2008-2009 Appropriations Limit. Therefore, the City is well within its Appropriation Limit established pursuant to Section 7910 of the Government Code of the State of California and will not exceed this limit during Fiscal Year 2008-2009.

LEGAL REVIEW

The City Attorney has reviewed and approved the attached Resolution as to form.

CONCLUSION

Staff recommends the City adopt the Resolution determining the Fiscal Year 2008-2009 Appropriations Limit to be \$163,517,932. The adoption of the Fiscal Year 2008-2009 Appropriations Limit is made on a provisional basis and may need to be revised when the figure for growth in non-residential assessed valuation due to new construction becomes available from the County of Orange.

BOBBY YOUNG
Budget & Research Officer

MARC R. PUCKETT
Director of Finance

Attachments: [Attachment 1 - Resolution – Fiscal Year 2008-2009 Appropriations Limit Exhibit A – Calculation of the Appropriations Limit](#)