



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 18, 2013

ITEM NUMBER: PH-5

SUBJECT: ADOPTION OF FISCAL YEAR 2013-2014 APPROPRIATIONS LIMIT

DATE: JUNE 11, 2013

FROM: FINANCE & I.T. DEPARTMENT

PRESENTATION BY: BOBBY YOUNG, FINANCE & I.T. DIRECTOR

FOR FURTHER INFORMATION CONTACT: BOBBY YOUNG AT (714) 754-5243

RECOMMENDED ACTION

Adopt Resolution establishing the Fiscal Year 2013-2014 Appropriations Limit for the City of Costa Mesa at \$190,458,330 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. This appropriations limit determines the maximum amount of specific tax revenues which an agency is allowed to spend. 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. For the current year calculation, the City is electing to use the population growth of the County of Orange rather than the population growth of the City of Costa Mesa.

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 2013-2014, the inflation and population figures provided by the State Department of Finance are as follows:

California Per Capita Income Percentage Change	5.12%
County of Orange's Population Growth	0.78%

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 2013-2014 is calculated at \$190,458,330. This amount is the result of applying the 5.12% per capita personal income factor and the 0.78% County of Orange population factor to the Fiscal Year 2012-2013 adopted Appropriations Limit of \$179,779,540.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2013-2014 is \$92,395,000. This estimate is \$98,073,330 or 51.5% below the Appropriations Limit for Fiscal Year 2013-2014.

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

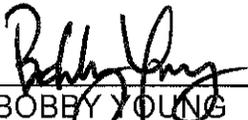
The City is \$98,073,330 or 51.5% below the proposed Fiscal Year 2013-2014 Appropriations Limit. Therefore, the City is well within its Appropriation Limit established pursuant to Section 7910 of the Government Code of the State of California and will not exceed this limit during Fiscal Year 2013-2014.

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 2013-2014 Appropriations Limit to be \$190,458,330. The adoption of the Fiscal Year 2013-2014 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
 Finance & I.T. Director

Attachments: Attachment 1 – Resolution – Fiscal Year 2013-2014 Appropriations Limit
 Attachment 2 – Calculation of the Appropriations Limit

RESOLUTION NO. 13-_____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DETERMINING AND ADOPTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2013-2014, IN ACCORDANCE WITH ARTICLE XIII-B OF THE CONSTITUTION OF THE STATE OF CALIFORNIA, AS AMENDED BY PROPOSITION 111 AND SENATE BILL 88.

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, Article XIII-B was added to the Constitution of the State of California at a general election held on November 6, 1979; and

WHEREAS, Article XIII-B was subsequently modified by Proposition 111 and Senate Bill 88 (Chapter 60/90) at a general election held on June 5, 1990; and

WHEREAS, in accordance with Section 7910 of the Government Code of the State of California, an annual appropriations limit must be established for this City effective for the fiscal year beginning July 1, 2013; and

WHEREAS, the City has chosen to use the California per capita income percentage change of 5.12% and the County's population growth rate of 0.78% as the factors to be used in calculating its appropriations limit for Fiscal Year 2013-2014; and

WHEREAS, these factors are applied to the City's adopted appropriations limit for Fiscal Year 2012-2013 in determining the City's appropriations limit for Fiscal Year 2013-2014;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Costa Mesa as follows:

The appropriations limit for Fiscal Year 2013-2014 is established at \$190,458,330.00.

PASSED AND ADOPTED this 18th day of June, 2013.

Jim Righeimer, Mayor

ATTEST:

APPROVED AS TO FORM:

Brenda Green, City Clerk

Thomas Duarte, City Attorney

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF COSTA MESA)

I, BRENDA GREEN, City Clerk of the City of Costa Mesa, DO HEREBY CERTIFY that the above and foregoing is the original of Resolution No. 13-____ and was duly passed and adopted by the City Council of the City of Costa Mesa at a regular meeting held on the 18th day of June, 2013, by the following roll call vote, to wit:

AYES: COUNCIL MEMBERS:

NOES: COUNCIL MEMBERS:

ABSENT: COUNCIL MEMBERS:

IN WITNESS WHEREOF, I have hereby set my hand and affixed the seal of the City of Costa Mesa this ____th day of June, 2013.

BRENDA GREEN, CITY CLERK

(SEAL)

ATTACHMENT 2

CITY OF COSTA MESA
CALCULATION OF APPROPRIATIONS LIMIT
FOR FY 2013-2014

The City's Appropriations Limit for FY 13-14 is calculated as follows:

Step 1	Appropriations Limit for FY 12-13	\$ 179,779,540
	Multiply the FY 12-13 Appropriations Limit by the cumulative growth factors for changes in the California per capita personal income and the population change for the City of Costa Mesa.	
Step 2		<u>1.0594 *</u>
	Appropriations Limit for FY 13-14	<u>\$ 190,458,330</u>

*CALCULATION OF CUMULATIVE GROWTH FACTORS:

Personal Income Factor	1.0512
Orange County Population Change	1.0078
Costa Mesa Population Change	1.0050
(1.0512 x 1.0078) = *	1.0594
Per capita converted to ratio (5.12+100/100)	1.0512
Orange County Population converted to ratio (0.78+100/100)	1.0078
Costa Mesa Population converted to ratio (0.50+100/100)	1.0050