



CITY COUNCIL AGENDA REPORT

MEETING DATE: JUNE 21, 2016

ITEM NUMBER: PH-1

SUBJECT: ADOPTION OF FISCAL YEAR 2016-2017 APPROPRIATIONS LIMIT

DATE: JUNE 7, 2016

FROM: FINANCE DEPARTMENT /FINANCIAL PLANNING DIVISION

PRESENTATION BY: STEPHEN DUNIVENT, INTERIM FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: STEPHEN DUNIVENT, (714) 754-5243

RECOMMENDED ACTION

Adopt Resolution establishing the Fiscal Year 2016-2017 Appropriations Limit for the City of Costa Mesa at \$214,145,081 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 2016-2017 the inflation and population figures provided by the State Department of Finance are as follows:

California Per Capita Income Percentage Change	5.37%
County of Orange's Population Growth	0.99%

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 2016-2017 is calculated at \$214,145,081. This amount is the result of applying the 5.37% per capita personal income factor and the 0.99% County of Orange population factor to the Fiscal Year 2015-2016 adopted Appropriations Limit of \$201,264,174.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2016-2017 is \$104,916,800. This estimate is \$109,228,281 or 51.01% below the Appropriations Limit for Fiscal Year 2016-2017.

ALTERNATIVES CONSIDERED

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 \$109,228,281 or 51.01% below the proposed Fiscal Year 2016-2017 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 2016-2017.

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 2016-2017 Appropriations Limit to be \$214,145,081.

STEPHEN DUNIVENT
Interim Finance Director

Attachments: [1. Resolution No.16-xx 16-17 Appropriations Limit](#)
[2. Calculation of the Appropriations Limit](#)