



Item Number: {{item.number}}

City Council / Board of Directors

Written Communications

Meeting of: June 15, 2021

Submitted By:

John Mendiola, Finance Director / City Treasurer

Subject:

Presentation of Resolution No. 21-053 – Request to Establish and Adopt the Annual Appropriations Limit for Fiscal Year 2021-22

Recommendation:

That the City Council adopt Resolution No. 21-053, establishing and adopting the Fiscal Year 2021-22 Annual Appropriations Limit in the amount of \$1,248,053,165, pursuant to California State Constitution Article XIII B Government Spending Limitation.

Fiscal Impact:

There is no fiscal impact for this item. This item is to adopt the resolution to establish the appropriations limit for Fiscal Year 2021-22.

Background:

California's State Appropriations Limit places a "ceiling" each year on the amount of monies that can be spent from local government tax proceeds. Most appropriations are subject to the Appropriations Limit; however, the law does allow exemptions for capital outlay, debt service and subventions. Tax proceeds in excess of the limit over a two year period must be rebated to taxpayers. For Fiscal Year 2021-22, the City's appropriations limit is calculated to be \$1,248,053,165. Based on tax proceeds budgeted for Fiscal Year 2021-22 in the amount of \$49,620,751, the City appropriations are \$1,198,432,414 below the limit.

Discussion:

The adoption of the Gann Spending Limitation Initiative (Proposition 4) in 1979, later amended by Proposition 111 in 1990, established Article XIII B of the State Constitution, the requirement and procedure for establishing an appropriations limit for local agencies. Each year, the State and local governments must adopt a resolution establishing an appropriations limit. The annual calculation of the appropriations limit must be reviewed as part of the City's annual financial audit.

In brief, the amount of tax 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 percentage change in California's per capita personal income or the percentage change in non-residential assessed property valuation due to new construction; however, the change in non-residential assessed property valuation is not available from the County of San Bernardino Assessor's Office until after fiscal year end and after the adoption of the budget. The City's auditors and management prefer the appropriations limit to be calculated in a timely manner and in correlation with the annual budget; therefore, the change in per capita personal income is used for this factor.

The formula works as follows:

$$\frac{(\% \text{ change in population (City or County)} + 100)}{100}$$

TIMES (multiplied by)

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

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.

For Fiscal Year 2021-22, the percentage increase in City population growth was used since it was greater than the County's (0.61% vs. 0.17%). With respect to the economy criterion, the percentage change in California's per capita personal income is 5.73%. Therefore, the appropriations limit for Fiscal Year 2021-22 may be set at \$1,248,053,165 (1.0061 x 1.0573 x Fiscal Year 2020-21 Appropriations Limit of \$1,173,258,487). The total Fiscal Year 2021-22 budgeted tax proceeds subject to the appropriations limit is \$49,620,751. In conclusion, the City of Victorville is under its appropriations limit by \$1,198,432,414.

For complete calculation, please see Resolution 21-053 with Attachments 1, 2 and 3.

Staff recommends that the City Council adopt Resolution No. 21-053, establishing and adopting the Fiscal Year 2021-22 Annual Appropriations Limit in the amount of \$1,248,053,165, pursuant to California State Constitution Article XIII B Government Spending Limitation. Staff is available to answer any questions the City Council may have.

Attachments: A. Resolution No. 21-053 with Fiscal Year 2021-22 Appropriations Limit Calculations 1, 2 and 3

Attachment A

Resolution No. 21-053

RESOLUTION 21-053

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF VICTORVILLE ESTABLISHING AND ADOPTING THE ANNUAL APPROPRIATIONS LIMIT FOR THE FISCAL YEAR 2021-2022

WHEREAS, the voters approved the Gann Spending Limitation Initiative (Proposition 4) on November 6, 1979, adding Article XIII B to the Constitution of the State of California to establish and define annual appropriations limits on State and local government entities; and

WHEREAS, Chapter 1205, Statutes of 1980 (SB 1352) provides for the implementation of Article XIII B by defining various terms used in the Article and prescribing procedures to be used in implementing specific provisions of the Article, including the establishment by resolution each year by the governing body of each local jurisdiction of its appropriations limit; and

WHEREAS, the voters approved the Traffic Congestion Relief and Spending Limitation Act (Proposition 111) on June 5, 1990, amending Article XIII B of the Constitution of the State of California; and

WHEREAS, Chapter 60, Statutes of 1990 (SB 88) provides for the implementation of Proposition 111 by defining various terms used in the Article and prescribing procedures to be used in implementing the amendments to the Article; and

WHEREAS, the required computations to determine the appropriations limit for Fiscal Year 2021-22 have been performed by the Finance Department, are on file with the Office of the City Clerk, and are available for public review; and

WHEREAS, these computations are provided in Attachments 1, 2 and 3, which are incorporated herein by reference and attached hereto.

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

SECTION 1. The Appropriations Limit for the City of Victorville for Fiscal Year 2021-22 is \$1,248,053,165.

SECTION 2. The adjustment factors for the City's Appropriations Limit are the percentage change in the City's population and the percentage change in per capita personal income, both provided by the State of California Department of Finance.

SECTION 3. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the Office of the City Clerk.

CITY OF VICTORVILLE
COMPUTATION OF FY 2021-22 APPROPRIATIONS LIMIT

FY 2020-2021 Appropriations Limit	\$ 1,173,258,487
Change in County Population* = 0.17% OR	0.61%
Change in City Population * = 0.61%	
Change in Per Capita Personal Income* =5.73%	5.73%
Cumulative Compound Change Factor (1.0061 X 1.0573)	<u>1.0637</u>
FY 2021-2022 Appropriations Limit	<u><u>\$ 1,248,053,165</u></u>

* Source: State of California, Department of Finance, Price Factor and Population Information

CITY OF VICTORVILLE
COMPARISON OF PRELIMINARY
BASE BUDGET TO APPROPRIATIONS LIMIT

FY 2021-22 Total Proceeds of All Funds Subject to Limit (From Attachment 3)	\$ 75,864,906
Less: Non -Tax Proceeds (From Attachment 3)	<u>(26,244,155)</u>
FY 2021-22 Net Proceeds of Taxes Subject to the Limit	49,620,751
Less: FY 2021-22 Appropriation Limit (From Attachment 1)	<u>(1,248,053,165)</u>
Budget Appropriation Over (Under) the Limit	<u><u>\$ (1,198,432,414)</u></u>

CITY OF VICTORVILLE
 CALCULATION OF PROCEEDS OF TAXES SUBJECT TO
 LIMIT BASED UPON FY 2021-22 BUDGET (NOT ACTUAL)

	<u>Tax Proceeds</u>	<u>Non-Tax Proceeds</u>	<u>Total</u>
General Fund:			
Property Tax	\$ 18,513,235	\$ -	\$ 18,513,235
Sales Tax	24,465,251	-	24,465,251
Transient Occupancy Tax	1,770,000	-	1,770,000
Property Transfer Tax	494,415	-	494,415
Franchises	4,377,850	-	4,377,850
Intergovernmental	-	102,300	102,300
Licenses and Permits	-	3,245,200	3,245,200
Fines and Penalties	-	118,020	118,020
Charges for Current Services	-	4,508,200	4,508,200
Investment Income	-	510,206	510,206
Other Revenues	-	17,760,229	17,760,229
Total All Funds Subject to the Limit	\$ 49,620,751	\$ 26,244,155	\$ 75,864,906