

# CITY OF ORLAND

## CITY COUNCIL CONSENT AGENDA ITEM NO. 5.d.

**MEETING DATE: November 3, 2014**

**TO: Honorable Mayor and Members of the City Council**

**FROM: Daryl R. Brock, Director of Finance**

**TITLE: Appropriations Limit for 2014-2015**

### **RECOMMENDATION**

Adopt a resolution establishing the City's appropriations limit for 2014-2015.

### **DISCUSSION**

#### **Overview**

Under the Gann Spending-Limitation Initiative (Article XIII B of the State Constitution) adopted as Proposition 4 in June 1979 (and subsequently modified by Proposition 111 in June 1990), the City is required to annually adopt a resolution setting an appropriations limit for the upcoming fiscal year. For 2014-2015, I project that the City's appropriations subject to limitation will be \$3,273,275, which is \$7,550,763 less than the calculated limit of \$10,824,038.

#### **Background and Key Concepts**

The Gann Spending-Limitation Initiative provides for the limitation of state and local government appropriations. As discussed in the following summary of the major provisions of the Gann Initiative and Proposition 111 modifications, the Gann Initiative is actually a limitation on tax revenues rather than a direct limitation on appropriations:

1. Appropriations subject to limitation may not exceed appropriations made in 1978-79 except as adjusted for increases in the cost of living, population and service responsibility transfers.
2. Appropriations financed through service fees (to the degree that they do not exceed the cost of performing the service), grant programs, fines and forfeitures, and other specified "non-tax" sources are not subject to the appropriations limit. Additionally, appropriations for long-term indebtedness incurred prior to 1978-79, debt service on qualified capital outlays beginning in 1990-91, qualified capital outlays in excess of \$100,000 and increased costs as a result of federally-mandated programs, are also excluded from the limit. Essentially, with the exception of major capital-related expenditures, all appropriations funded through tax revenues are subject to limitation.

3. For the purpose of identifying “proceeds from taxes” under the Gann Initiative, state subventions that are unrestricted as to their use (such as motor vehicle in-lieu revenues) are considered to be tax sources. On the other hand, the use of subventions like gas tax and transportation development act funds is restricted by the State, and as such, is classified as non-tax sources.
4. Under the original Gann Initiative, all proceeds from taxes received in excess of the appropriations limit were required to be returned through refunds or revisions in tax rates and fees schedules within the next two fiscal years: or voter approval to increase the appropriations limit was required. Proposition 111 provides a one-year carryover feature to determine excess revenues under which refunds can be avoided if in the subsequent year the City is below the limit to the amount of the prior year excess. Any voter-approved increase to the appropriations limit cannot exceed four years.
5. Originally, the Gann Initiative was self-executing, requiring no formal review; however, Proposition 111 requires that the annual calculation be reviewed as part of the annual financial audit.
6. Major concepts in implementing the Gann Initiative as modified by Proposition 111 include: appropriations funded through tax sources are subject to the limit, not actual expenditures: and any excess of actual tax revenues over the appropriations limit, not actual expenditures or appropriations, are subject to refund.

### **Adjustment Factors**

The annual adjustments factors for changes in population and cost of living for the appropriations limit calculation was selected by a recorded vote of the Council and included the following:

1. **Population.** Based on data provided annually by the State Department of Finance, cities may annually choose either the growth in their city’s or the county’s population.

(For this year’s calculation, the City’s population growth factor, which exceeded the County’s factor, was used.)

2. **Cost of living.** Local governments may annually choose either the percentage change in California per capital personal income or the percentage change in their jurisdiction’s assessed valuation that is attributable to non-residential new construction.

Data for the percentage change in California per capital personal income change is provided annually by the State Department of Finance. Data for the preceding year to calculate the increase in the non-residential assessed valuation is provided annually by the Glenn County Department of Finance.

## Calculation Summary

The City's Appropriation Limit for 2014-15 is \$10,721,242 calculated as follows:

Appropriation Limit Calculation	
2013-14 Appropriations Limit	\$10,721,242
Adjustment Factors	
A. Cost of Living Options	
1. <i>Percentage change in assessed value in the preceding year due to non-residential construction.</i>	0.85%
2. Percentage change in California per capita income	-.23%
B. Population Options	
1. Percentage change in County population	0.42%
2. <i>Percentage change in City population</i>	1.13%
Compound Percentage Factor (multiplicative not additive)	0.096%
2014-15 Appropriation Limit	\$10,824,038

The options highlighted in bold italics were the recommended adjustment factors in determining our appropriation limit for 2014-15.

## FISCAL IMPACT

There is no negative fiscal impact resulting from adoption of the limit for 2014-15. The following summarizes the variance between the City's appropriation limit and our projected appropriations subject to this limit for 2014-15.

2014-15 Favorable Variances	
Appropriation Limit	\$10,824,038
Estimated Appropriations Subject to Limit	<u>3,273,275</u>
Favorable Variance	\$7,550,763

## ATTACHMENTS

Appropriations Limit Guidelines Worksheets # 1 through # 7.

**CITY OF ORLAND  
FISCAL YEAR 2014**

**APPROPRIATIONS LIMIT GUIDELINES**

**WORKSHEET # 1**

**USERS' FEES VERSUS COSTS  
(Enterprise Funds)**

	Program Areas				TOTAL
	Water	Sewer	Sewer Industries	Building Inspection	
<b>A. COSTS REASONABLE BORNE</b>	973,975	609,117	51,792	95,616	1,730,500
<b>B. FEES:</b>	963,500	680,200	60,200	100,000	1,803,900
<b>TOTAL FEE REVENUE</b>	963,500	680,200	60,200	100,000	1,803,900
<b>C. AMOUNT FEE EXCEEDS COST (i.e., TAX PROCEEDS)</b>		71,083	8,408	4,384	83,875
<b>D. AMOUNT OF FEE REVENUE LESS THAN COST</b>	-10,745				-10,745
<b>E. Use the results to complete Worksheet #2</b>					

**CITY OF ORLAND  
FISCAL YEAR 2014**

**APPROPRIATIONS LIMIT GUIDELINES**

**WORKSHEET #2**

**CALCULATION OF PROCEEDS OF TAXES**

REVENUES	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL
----------	----------------------	--------------------------	-------

**TAXES:**

PROPERTY TAX	811,598		811,598
SALES & USE TAX	1,052,790		1,052,790
BUSINESS LICENSE TAX	21,500		21,500
UTILITY USERS TAX	120,000		120,000
TRANSIENT OCCUPANCY TAX	46,000		46,000
SPECIAL POLICE OR FIRE	0		0
OTHER TAXES	0		0

**FROM STATE:**

MOTOR VEHICLE IN LIEU	535,000		535,000
TRAILER COACH IN LIEU	0		0
OFF-HIGHWAY VEHICLES	0		0
GASOLINE TAX		275,000	275,000
CIGARETTE TAX	0		0
HOMEOWNERS' RELIEF TAX	10,500		10,500
WILLIAMSON OPEN SPACE	0		0
MANDATED COST REIMBURSE		0	0
POST REIMBURSEMENTS			0
LIQUOR LICENSE TAX	0		0
HIGHWAY CARRIERS	0		0
PROP 172 - PUBLIC SAFETY	15,000		15,000
BUSINESS LICENSES	0		0
LIBRARY GRANTS	0	0	0
REAL PROP TRANSFER TAX	12,000	0	12,000
PUBLIC SAFETY GRANTS	100,000	100,000	200,000

**APPROPRIATIONS LIMIT GUIDELINES**

**WORKSHEET # 2**

**CONTINUED**

**OTHER GOVERNMENTS:**

COUNTY LIBRARY ALLOCATION  
 COMMUNITY DEVELOPMENT  
 OTS GRANTS - FEDERAL  
 CA RECREATION GRANTS

	60,299	60,299
	0	0
	0	0
115,000	0	115,000

**LOCALLY RAISED:**

SPECIAL BEN ASSESSMENTS  
 LOCAL LIBRARY CONTRIBUTIONS  
 OTHER MISCELLANEOUS REVENUES  
 DONATIONS AND CONTRIBUTIONS  
 PARKS AND RECREATION FEES  
 DEVELOPMENT FEES  
 RENTS, ROYALTIES, PENALTIES  
 FINES AND FORFEITURES

	57,000	57,000
		0
	4,500	4,500
	6,000	6,000
	80,000	80,000
345,000	0	345,000
	38,000	38,000
	34,000	34,000

USER FEES (From Worksheet # 1)

83,875	-10,745	73,130
--------	---------	--------

SUB-TOTAL (To Worksheet # 3)

3,268,263	644,054	3,912,317
-----------	---------	-----------

INTEREST EARNINGS  
 (From Worksheet # 3)

5,012	988	6,000
-------	-----	-------

TOTAL REVENUE  
 (Use for Worksheet #4)

3,273,275	645,042	3,918,317
-----------	---------	-----------

TOTAL OF THESE FUNDS

3,273,275	645,042	3,918,317
-----------	---------	-----------

OTHER FUNDS NOT INCLUDED

--	--	--

GRAND TOTAL

3,273,275	645,042	3,918,317
-----------	---------	-----------

CITY OF ORLAND  
FISCAL YEAR 2014

APPROPRIATIONS LIMIT GUIDELINES

WORKSHEET #3

INTEREST EARNINGS PRODUCED BY TAXES

	AMOUNT	SOURCES
A. TAX PROCEEDS NOT INCLUDING INTEREST	3,268,263	(WORKSHEET #2)
B. MINUS EXCLUSIONS	0	(WORKSHEET #7)
C. NET INVESTED TAXES	3,268,263	(A-B)
D. TOTAL REVENUES NOT INCLUDING INTEREST	3,912,317	(WORKSHEET #2)
E. TAX PROCEEDS AS A PERCENT OF TOTAL	83.54%	
F. INTEREST EARNINGS	6,000	BUDGETED FOR YE JUNE 30, 2015
G. AMOUNT OF INTEREST EARNED FROM TAXES	5,012	(E*F)
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES	988	(F-G)

CITY OF ORLAND  
FISCAL YEAR 2014

APPROPRIATIONS LIMIT GUIDELINES

WORKSHEET #4

APPROPRIATIONS SUBJECT TO LIMITATION

	AMOUNT	SOURCES
A. PROCEEDS OF TAXES	3,273,275	(WORKSHEET #2)
B. EXCLUSIONS	0	(WORKSHEET #7)
C. APPROPRIATIONS SUBJECT TO LIMITATIONS	3,273,275	(A-B)
D. CURRENT YEAR LIMIT	10,824,038	(WORKSHEET #6)
E. OVER/(UNDER) LIMIT	-7,550,763	(C-D)

**CITY OF ORLAND  
FISCAL YEAR 2012**

**APPROPRIATIONS LIMIT GUIDELINES**

**WORKSHEET #5**

**POPULATION INCREASE**

**LIMITATION COMPUTATION:**

	CITY		COUNTY	
	POPULATION	PERCENT	POPULATION	PERCENT
1995-1996	1/1/1994	5685	26431	
	1/1/1995	5798	26990	0.73%
1996-1997	1/1/1995	5599	26219	
	1/1/1996	5632	26487	1.02%
1997-1998	1/1/1996	5632	26487	
	1/1/1997	5668	26813	1.23%
1998-1999	1/1/1997	5668	26813	
	1/1/1998	5767	26966	0.70%
1999-2000	1/1/1998	5767	26966	
	1/1/1999	5796	26943	-0.01%
2000-2001	1/1/1999	5796	26943	
	1/1/2000	6381	26991	0.10%
2001-2002	1/1/2000	6381	26679	
	1/1/2001	6371	26713	0.13%
2002-2003	1/1/2001	6371	26713	
	1/1/2002	6161	27143	0.07%
2003-2004	1/1/2002	6319	26635	
	1/1/2003	6381	26952	1.19%
2004-2005	1/1/2003	6458	27273	
	1/1/2004	6529	27630	1.31%
2005-2006	1/1/2004	6544	27698	
	1/1/2005	6675	28081	1.38%
2006-2007	1/1/2005	6692	28155	
	1/1/2006	6992	28540	1.37%
2007-2008	1/1/2006	6949	28364	
	1/1/2007	7189	28791	1.51%
2008-2009	1/1/2007	7169	28709	
	1/1/2008	7353	29085	1.31%
2009-2010	1/1/2008	7322	28960	
	1/1/2009	7413	29096	0.56%
2010-2011	1/1/2009	7413	29096	
	1/1/2010	7501	29434	0.76%
2011-2012	1/1/2010	7287	28004	
	1/1/2011	7501	28153	0.53%
2012-2013	1/1/2011	7458	27985	
	1/1/2012	7541	28012	0.10%
2013-2014	1/1/2012	7569	28116	
	1/1/2013	7626	28247	0.47%
2014-2015	1/1/2013	7597	28136	
	1/1/2014	7683	28353	0.42%

**CITY OF ORLAND  
FISCAL YEAR 2014**

**APPROPRIATIONS LIMIT GUIDELINES**

**WORKSHEET #6**

**APPROPRIATIONS LIMIT COMPUTATION**

	Amount	Source
<b>A. LAST YEAR'S LIMIT</b>	10,721,242	
<b>B. ADJUSTMENT FACTORS</b>		
1. Population Ratio	0.0113	Worksheet #5 State Finance or Assessor
2. Inflation Ratio	0.8485	
Total Adjustment Factor	0.0096	(B1 * B2)
<b>C. ANNUAL ADJUSTMENT</b>	102,796	(B*A)
<b>D. OTHER ADJUSTMENTS</b>		
1. Lost Responsibility	0	
2. Transfers to Private	0	
3. Transfers to Fees	0	
4. Assumed Responsibility	0	
Subtotal	0	
<b>E. TOTAL ADJUSTMENT</b>	102,796	(C+D)
<b>F. THIS YEAR'S APPROPRIATION LIMIT</b>	10,824,038	(A+E)

CITY OF ORLAND  
FISCAL YEAR 2014

APPROPRIATIONS LIMIT GUIDELINES

WORKSHEET # 7

EXCLUDED APPROPRIATIONS

<u>EXCLUSION CATEGORY</u>	<u>AMOUNT</u>
A. COURT ORDERS	<input type="text" value="0"/>
B. FEDERAL MANDATES	<input type="text" value="0"/>
C. QUALIFIED CAPITAL OUTLAY	<input type="text" value="0"/>
D. QUALIFIED DEBT SERVICE	<input type="text" value="0"/>
TOTAL EXCLUDABLE	<input type="text" value="0"/>

RESOLUTION NO. 2014-17

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ORLAND  
APPROVING AND ADOPTING THE ANNUAL APPROPRIATIONS LIMIT  
FOR THE FISCAL YEAR 2014-2015

**Whereas**, Article XIII B. of the California Constitution requires that an annual appropriations limit be set by the legislative body of all California agencies receiving tax proceeds; and

**Whereas**, the City of Orland has complied with all the provisions of Article XIII B. in determining the appropriations limit for fiscal year 2014-2015.

**NOW, THEREFORE, BE IT RESOLVED** that the appropriations subject to limitation in fiscal year 2014-2015 shall be \$ 3,273,275 in the City of Orland.

\* \* \* \* \*

Passed and adopted this 3<sup>rd</sup> day of November, 2014, by the City Council of the City of Orland by the following vote:

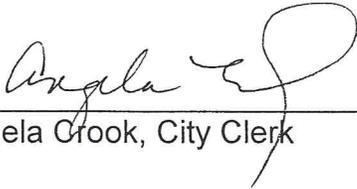
AYES: Councilmembers Gee, Hoffman, Roundy, Vice Mayor Edwards and Mayor Paschall

NOES: None

ABSENT: None

ABSTAIN: None

ATTEST:

  
\_\_\_\_\_  
Angela Crook, City Clerk

  
\_\_\_\_\_  
James Paschall, Sr., Mayor