ITEM 10.F.

MOORPARK CITY COUNCIL
AGENDA REPORT

TO: **Honorable City Council**

FROM: **Ron Ahlers, Finance Director**
BY: **Irmina Lumbad, Budget and Finance Manager**

DATE: **June 3, 2014 (Council Meeting of June 18, 2014)**

SUBJECT: **Consider Resolution Establishing the Appropriation Limitation for Fiscal Year 2014/2015 for the City of Moorpark at $31,561,052**

BACKGROUND

Proposition 4, sometimes referred to as the "Gann Limit", was approved by the voters of California on the November 1979 special ballot election. This Proposition created Article XIII B of the State Constitution which sets forth the calculation of the State and local jurisdictions' annual appropriations limit or the "ceiling" on monies that can be spent from tax revenues. Each year, it requires the governing body of the local agency to establish the limit, by resolution, before the beginning of the following fiscal year.

Initially, the appropriations limit was annually adjusted by the population growth of each local agency and the lesser of the change in cost-of-living or the change in California per capital personal income from the preceding year. Proposition 111 adopted in June 1990, allowed major adjustments to the methodology. Local agencies may select the higher of percentage change in population within the City, or County; and the higher of rate of change in California per capita personal income from preceding year, or the rate of change in the local assessment valuation due to additional non-residential new construction from the preceding year.

DISCUSSION

On May 1, 2014 the California State Department of Finance notified the local jurisdictions of the population and price data for use in the appropriations limit calculation for Fiscal Year (FY) 2014/2015. Based on this letter, the percentage change in population for the City of Moorpark is 0.68%, while the Ventura County percentage change is 0.79%. The preceding year's percentage change in cost-of-living factor per capita personal income is -0.23%. Information regarding the change in local assessment valuation in non-residential due to new construction of 5.72% was provided by the City's property tax consultants, HDL Coren & Cone.

The City selected to use the percentage change in population for the County of Ventura (0.79%) and the percentage change in local assessment valuation due to non-residential new construction (5.72%) in adjusting the prior year's appropriations limit of $29,619,442. Accordingly, the City of Moorpark's limitation for FY 2014/2015 is $31,561,052. Per the Recommended Budget for FY 2014/2015, the appropriation subject to limit is $14,924,934. This brings us $16,636,118 or 52.71% under the limit.

FISCAL IMPACT

None.

STAFF RECOMMENDATION (ROLL CALL VOTE REQUIRED)

Adopt Resolution No. 2014-____.

Attachments:
A. Resolution No. 2014-____
B. Appropriation Limit Calculation

RESOLUTION NO. 2014-____

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF MOORPARK, CALIFORNIA, ESTABLISHING THE CITY'S APPROPRIATION LIMITATION FOR FISCAL YEAR 2014/2015

WHEREAS, Article XIII B of the State Constitution limits annual appropriations from proceeds of tax revenues for state and local governments; and

WHEREAS, Government Code Section 7910 requires that a city establish its annual appropriations limitation by resolution at a public meeting of the legislative body; and

WHEREAS, the Fiscal Year 2014/2015 appropriations limitation has been calculated in accordance with the State Constitution and applicable sections of the Government Code by adjusting the Fiscal Year 2013/2014 appropriations limit of $29,619,442 by the percentage change in the County of Ventura's population of 0.79%, as determined by the State of California, Department of Finance; and the percentage change of non-residential valuation due to new construction of 5.72% as provided by the City's property tax consultants, HDL Coren & Cone.

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

SECTION 1. The appropriations limitation for the City of Moorpark for Fiscal Year 2014/2015 is hereby determined to be $31,561,052.

SECTION 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the book of original Resolutions.

PASSED AND ADOPTED this 18th day of June, 2014.

_____
Janice S. Parvin, Mayor

ATTEST:

_____
Maureen Benson, City Clerk

CITY OF MOORPARK
Appropriation Limit Calculation

Article XIIIB of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, was adopted by California voters in 1979 and placed limits on the amount of proceeds of taxes that State and local agencies can appropriate and spend each fiscal year.

The limit is different for every agency and changes each year. The annual limit is based on the amount of tax proceeds that were authorized to be spent in Fiscal Year (FY) 1978/1979, modified for changes in inflation and population. Inflationary adjustments are based on increases in the California per capita income or the increase in non-residential assessed valuation due to new construction. An adjustment is also made based on changes in Moorpark's population or County population.

At incorporation in FY 1983/1984, the Local Agency Formation Commission (LAFCO) determined that the initial appropriation limit for the city was $900,000. The limit was annually adjusted as prescribed by law. However by FY 1988/1989, it became evident that the appropriation limit was set too low and the City has more revenues that could fund certain levels of service and/or capital improvement projects. An increase in Gann Limit may be achieved by simple majority vote by the voters. Thus on June 7, 1988, the voters approved Measure "C" which increased the City's appropriation limit for the four year period beginning FY 1986/1987 through FY 1989/1990 by the amount of proceeds of taxed collected in excess of said limit for each year mentioned.

Subsequently in June 1993, the City reviewed the original incorporation study and found that the LAFCO's assumptions of revenues, which were the basis for setting the initial appropriation limit of $900,000, were erroneous. A public hearing was held to gather information and testimony regarding the correction of the initial limit. By Resolution No. 93-953, the FY 1983/1984 appropriation limit was corrected based on actual revenues of the City from $900,000 to $2,400,000. The City Council subsequently authorized the filing of a validation action with the Superior Court. On November 22, 1994 (Case No. CIV 147270) the Superior Court of the State of California for the County of Ventura set the City's appropriation limit at $2,400,000. The subsequent years' appropriation limits were adjusted accordingly.

For FY 2014/2015, the estimated tax proceeds appropriated by the Moorpark City Council are under the limit. The adjusted Appropriation Limit for FY 2014/2015 is $31,561,052. This is the maximum amount of tax proceeds the City is able to appropriate and spend in FY 2014/2015. The appropriations subject to the limit is $14,924,934 leaving the City with an appropriations capacity under the limit of $16,636,118.

Section 7910 of the State Government Code requires the governing body to annually adopt, by resolution, an Appropriations Limit for the upcoming fiscal year.

HISTORY OF LIMIT CALCULATION						
Fiscal Year	Population City/County		Price or Non-Residential New Construction		Growth Factor	Appropriation Limit
	Basis	Factor	Basis	Factor		
1996-97	County	0.95	Per Capita Income	5.21	1.0621	$10,255,730
1997-98	City	2.58	Per Capita Income	4.67	1.0737	$11,011,629
1998-99	City	2.72	Per Capita Income	4.15	1.0698	$11,780,241
1999-00	City	0.64	Per Capita Income	4.56	1.0523	$12,392,814
2000-01	City	0.07	Per Capita Income	4.91	1.0498	$13,010,402
2001-02	City	1.37	Per Capita Income	7.82	1.0930	$14,219,997
2002-03	City	4.19	Per Capita Income	-1.27	1.0287	$14,627,654
2003-04	City	4.21	Non-residential new construction	9.23	1.1383	$16,650,451
2004-05	County	1.73	Per Capita Income	3.28	1.0507	$17,494,629
2005-06	City	2.66	Per Capita Income	5.26	1.0806	$18,904,696
2006-07	City	0.24	Per Capita Income	3.96	1.0421	$19,700,584
2007-08	City	1.05	Per Capita Income	4.42	1.0552	$20,788,056
2008-09	City	2.13	Non-residential new construction	4.51	1.0674	$22,189,171
2009-10	City	1.27	Non-residential new construction	16.59	1.1807	$26,198,908
2010-11	City	1.42	Per Capita Income	-2.54	0.9884	$25,896,031
2011-12	City	0.93	Per Capita Income	2.51	1.0346	$26,792,899
2012-13	County	0.61	Per Capita Income	3.77	1.0440	$27,972,590
2013-14	County	0.73	Per Capita Income	5.12	1.0589	$29,619,442
2014-15	County	0.79	Non-residential new construction	5.72	1.0656	$31,561,052