



Staff Report

File #: TMP-1407, **Version:** 1

MEETING DATE:

JULY 14, 2020

SUBJECT:

RESOLUTION NO. 2020-8795 - FISCAL YEAR 2020-21 APPROPRIATIONS LIMIT

Recommendation

ADOPT resolution establishing the City of San Marcos appropriations limit for the fiscal year ending June 30, 2021.

Board or Commission Action

Not applicable

Relevant Council Strategic Theme

Good Governance

Relevant Department Goal

Not applicable

Introduction

Article XIIIB of the State Constitution requires State and local governments to annually calculate and adopt an appropriations limit. Under the provisions of this article, a city may not appropriate “proceeds of taxes” in excess of its appropriations limit.

The appropriations limit calculation was first applied in Fiscal Year 1978-79, as a result of Proposition 4 (Gann Limit). The Proposition was described as an “appropriations” limit but in essence is a tax revenue limit.

Discussion

Proposition 111 amended the California State Constitution to require annual adjustments to the appropriations limit based upon the changes in population and the cost of living. Each year, the City must calculate the limit using these two factors.

For the change in population factor, the City may use the City population growth (0.58%) or the County population growth (0.27%). For the change in the cost of living or inflation factor, the City has the option of selecting the percentage change in the California per capita personal income from the preceding year (3.73%), provided by the State of California Department of Finance, or the percentage change in the local assessment roll from the preceding year for the City due to the addition of local nonresidential new construction (0.40%). The City of San Marcos population percentage growth of 0.58% and the percentage change in the California per capita personal income of 3.73% were selected to calculate the Fiscal Year 2020-21 appropriations limit.

Utilizing these factors, the limit has been calculated at \$173,498,458.

The proceeds of taxes that are subjected to this limit in the Fiscal Year 2020-21 budget are \$42,444,196. This amount is well under the limit. Attached to the resolution are the calculations that have been made since the appropriations limit was first required.

Fiscal Impact

There is no fiscal impact associated with the adoption of this resolution.

Attachment(s)

Resolution and Exhibit A

Prepared by: Donna Apar, Fiscal Services & Budget Manager

Submitted by: Lisa Fowler, Director of Finance

Reviewed by: Michelle Bender, Deputy City Manager/HR/Risk Director

Approved by: Jack Griffin, City Manager