



Report to the City Council  
Council Meeting June 28, 2016

**Agenda Section:** Public Hearing

**Subject:** Consideration and proposed approval of a resolution establishing Appropriation Limits for Fiscal Years 2015-2016 and the Selection of Current Year Adjustment Factors; and consideration and proposed approval of a resolution establishing Appropriation Limits for Fiscal Years 2016-2017 and the Selection of Current Year Adjustment Factors

**CEQA Status:** Not a CEQA Project

**Prepared By:** April Mitts, Finance Director

**Approved By:** Jennifer Phillips, City Manager

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**BACKGROUND**

State law requires the City to set an appropriation limit after adoption of the annual budget. This limit is commonly known as the “Gann Limit.” The limit is based on appropriations (formal authorization by the City Council to spend funds) only from proceeds of taxes, as defined by the law and statewide reporting guidelines. The appropriation limit amount is increased each year by a formula that uses a combination of percent changes in the Statewide Per Capita Income (PCI), city or county population, and the City non-residential assessed valuation. The factors are allowed to be used in combination to provide the greatest increase or least decrease in the annual appropriation limit.

In November 1979, the people of California added Article XIII-B to the State Constitution, which placed limitations on the appropriations of State and local governments. In June 1990, the people approved Proposition 111, which, among other things, amended the Article XIII-B. The amendment created a new base year of FY 1986-87, allowed annual increases based on the city or county population growth and assessed valuation growth of non-residential property, provides for exclusion of capital expenditures over \$100,000, and requires an annual independent auditor review of the calculations. Statewide reporting guidelines were developed to define and implement the changes and establish the annual audit requirements.

The City's appropriation limit and the appropriations subject to the limit are calculated based on the statewide reporting guidelines and are reviewed by the independent auditor for compliance with the State law and guidelines. The appropriations limit has increased significantly since 1987 by applying the higher of county or city population growth rates and the percentage of non-residential assessed valuation growth. The State Department of Finance provides the PCI and population growth rates. The County Assessor provides the non-residential assessed valuation information.

## **DISCUSSION**

### *FY 2015-16 Appropriation*

In reviewing documents it was found the appropriations limit for FY 2015-16 was not established by City Council resolution.

The appropriations limit for FY 2015-16 is \$43,983,747. This increased from the prior year by an increase in the Statewide Per Capita Personal Income of 3.82% in combination with the 2.09% City population growth rate.

The FY 2015-16 appropriations of \$43,983,747 is the portion funded from proceeds of taxes that are subject to the limit. This amount is \$35,200,715 or 80.03% under the appropriation limit.

The FY 2015-16 GANN Limit Calculation Sheets and supporting documents are included as Attachment A.

### *FY 2016-17 Appropriation*

The appropriations limit for FY 2016-17 is \$46,915,726. This increased from the prior year by an increase in the Statewide Per Capita Personal Income of 5.37% in combination with the 1.23% increase in City population growth rate.

The FY 2016-17 appropriations of \$46,915,726 is the portion funded from proceeds of taxes that are subject to the limit. This amount is \$37,788,335 or 80.55% under the appropriation limit.

The FY 2016-17 GANN Limit Calculation Sheets and supporting documents are included as Attachment B.

## **FISCAL IMPACT**

None, since the Appropriation Limit is higher than the Appropriations subject to Limit for both Fiscal Years 2015-16 and 2016-17.

## **RECOMMENDED ACTION**

Staff recommends the City Council of the City of St. Helena adopt Resolution No. 2016-\_\_\_\_ establishing an appropriation limit for Fiscal Year 2015-2016 and adopt Resolution No. 2016-\_\_\_\_ establishing an appropriation limit for Fiscal Year 2016-2017.

**ATTACHMENTS**

1. Attachment A – FY 2015-16 GANN Limit Calculation Sheet and supporting documentation
2. Attachment B – FY 2016-17 GANN Limit Calculation Sheet and supporting documentation
3. Attachment C – Resolution No. 2016-\_\_\_\_ Establishing GANN Limit for FY 2015-16
4. Attachment D – Resolution No. 2016-\_\_\_\_ Establishing GANN Limit for FY 2016-17

**CITY OF ST. HELENA  
APPROPRIATIONS LIMITATION SUMMARY  
Fiscal Year 2015-16**

PROCEEDS OF TAXES	8,783,032
EXCLUSIONS	0
APPROPRIATIONS SUBJECT TO LIMITATION	\$8,783,032
CURRENT YEAR LIMIT	\$43,983,747
OVER (UNDER) LIMIT	(\$35,200,715)
AVAILABLE CAPACITY AS A % OF LIMIT	80.03%

*In November, 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government. Prop 4 became effective for the 1980/81 fiscal year, but the formula for calculating the limits was based on the 1978/79 "base year" revenues.*

*In order to deal with an increasing number of complaints about the restrictions of Prop 4, and to increase the accountability of local government in adopting their limits, the voters approved Prop 111 in June 1990. Among other things, Prop 111 provides new adjustment formulas which should make the Appropriations Limit more responsive to local growth issues. It also requires an annual review of Limit calculations.*

*The Appropriations Limitations imposed by Propositions 4 and 111 creates a restriction on the amount of revenue which can be appropriated in any fiscal year. The Limit is based on actual appropriations during the 1978/79 fiscal year, and is increased each year using the growth of population and inflation. Not all revenues are restricted by the Limit, only those which are referred to as "Proceeds of Taxes."*

**CITY OF ST. HELENA**  
**Spending Limit Calculation**  
**Fiscal Year 2015/16**

**APPROPRIATIONS SUBJECT TO LIMIT**

Fiscal year 2015-2016 estimated revenues	\$10,593,383
Less:	
Nonproceeds of tax	(\$1,810,351)
Plus:	
User fees in excess of costs	0
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Total appropriations subject to limit:	\$8,783,032

**APPROPRIATION LIMIT**

Fiscal year 2014-2015 appropriation limit:	41,498,079
A. Cost of living adjustment *	1.0382
B. Population adjustment **	1.0209
Change Factor (A x B)	1.0599
Increase in appropriation limit	\$2,485,668
FISCAL YEAR 2015-2016 APPROPRIATION LIMIT	\$43,983,747
REMAINING APPROPRIATION CAPACITY	\$35,200,715
Available capacity as a percent of limit	80.03%

\* Based on percentage change in California per capita income.

\*\* Based on annual population change for St. Helena.

**CITY OF ST. HELENA**  
**Spending Limit Calculation**  
**Fiscal Year 2015-16**

REVENUE SOURCE	PROCEEDS OF TAX	NON-PROCEEDS OF TAX	TOTAL
Property tax	3,135,185		3,135,185
Retail sales/use tax	2,845,237		2,845,237
Transient occupancy tax	1,947,243		1,947,243
Business license tax	149,200		149,200
Real property transfer tax	99,524		99,524
Motor vehicle in-lieu	595,794		595,794
Public Safety Sales Tax		46,160	46,160
Franchise Taxes		182,500	182,500
Charges for Services		1,017,384	1,017,384
Other Revenues		562,071	562,071
<b>SUBTOTAL</b>	<b>\$8,772,183</b>	<b>\$1,808,115</b>	<b>\$10,580,298</b>
<b>PERCENT OF TOTAL</b>	<b>82.91%</b>	<b>17.09%</b>	<b>100.00%</b>
<b>INTEREST INCOME</b>	<b>\$10,849</b>	<b>\$2,236</b>	<b>13,085.00</b>
<b>TOTAL-GENERAL FUND</b>	<b>\$8,783,032</b>	<b>\$1,810,351</b>	<b>\$10,593,383</b>

*(excludes interfund transfers & Sales Tax Set-Aside)*

**CITY OF ST. HELENA**  
**Appropriation Limitation Adjustments Since 2002**

BUDGET YEAR	PRICE FACTOR	POPULATION FACTOR	CHANGE FACTOR	PRIOR YEAR APPROP LIMIT	CURRENT APPROP LIMIT
2002/2003	0.9873	0.9985	0.9858	32,739,266	32,274,992
2003/2004	1.0231	1.0027	1.0259	32,274,992	33,109,700
2004/2005	1.0328	1.0099	1.0430	33,109,700	34,534,236
2005/2006	1.0526	1.0150	1.0684	34,534,236	36,895,998
2006/2007	1.0396	0.9119	0.9480	36,895,998	34,978,144
2007/2008	1.0460	1.0150	1.0617	34,978,144	36,586,269
2008/2009	1.0429	-1.0029	1.0400	36,586,269	38,049,720
2009/2010	1.0062	1.0114	1.0177	38,049,720	38,722,084
2010/2011	0.9746	1.0069	0.9813	38,722,084	37,998,939
2011/2012	0.9749	1.0069	0.9816	37,998,939	37,300,777
2012/2013	1.0377	1.0068	1.0448	37,300,777	38,970,224
2013/2014	1.0512	1.0029	1.0542	38,970,224	41,084,299
2014/2015	0.9977	1.0124	1.0101	41,084,299	41,498,079
2015/2016	1.0209	1.0382	1.0599	41,498,079	43,983,747

**CITY OF ST. HELENA  
 APPROPRIATIONS LIMITATION SUMMARY  
 Fiscal Year 2016-17**

PROCEEDS OF TAXES	9,127,391
EXCLUSIONS	0
APPROPRIATIONS SUBJECT TO LIMITATION	\$9,127,391
CURRENT YEAR LIMIT	\$46,915,726
OVER (UNDER) LIMIT	(\$37,788,335)
AVAILABLE CAPACITY AS A % OF LIMIT	80.55%

*In November, 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The Proposition created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government. Prop 4 became effective for the 1980/81 fiscal year, but the formula for calculating the limits was based on the 1978/79 "base year" revenues.*

*In order to deal with an increasing number of complaints about the restrictions of Prop 4, and to increase the accountability of local government in adopting their limits, the voters approved Prop 111 in June 1990. Among other things, Prop 111 provides new adjustment formulas which should make the Appropriations Limit more responsive to local growth issues. It also requires an annual review of Limit calculations.*

*The Appropriations Limitations imposed by Propositions 4 and 111 creates a restriction on the amount of revenue which can be appropriated in any fiscal year. The Limit is based on actual appropriations during the 1978/79 fiscal year, and is increased each year using the growth of population and inflation. Not all revenues are restricted by the Limit, only those which are referred to as "Proceeds of Taxes."*

**CITY OF ST. HELENA**  
**Spending Limit Calculation**  
**Fiscal Year 2016-17**

**APPROPRIATIONS SUBJECT TO LIMIT**

Fiscal year 2016-2017 estimated revenues	\$10,591,030
Less:	
Nonproceeds of tax	(\$1,463,639)
Plus:	
User fees in excess of costs	0
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Total appropriations subject to limit:	\$9,127,391

**APPROPRIATION LIMIT**

Fiscal year 2015-2016 appropriation limit:	43,983,747
A. Cost of living adjustment *	1.0537
B. Population adjustment **	1.0123
Change Factor (A x B)	1.0667
Increase in appropriation limit	\$2,931,979
FISCAL YEAR 2016-2017 APPROPRIATION LIMIT	\$46,915,726
REMAINING APPROPRIATION CAPACITY	\$37,788,335
Available capacity as a percent of limit	80.55%

\* Based on percentage change in California per capita income.

\*\* Based on annual population change for St. Helena.

**CITY OF ST. HELENA**  
**Spending Limit Calculation**  
**Fiscal Year 2016-17**

REVENUE SOURCE	PROCEEDS OF TAX	NON-PROCEEDS OF TAX	TOTAL
Property tax	3,228,760		3,228,760
Retail sales/use tax	2,765,974		2,765,974
Transient occupancy tax	2,264,285		2,264,285
Business license tax	150,735		150,735
Real property transfer tax	102,510		102,510
Motor vehicle in-lieu	601,727		601,727
Public Safety Sales Tax		55,700	55,700
Franchise Taxes		186,150	186,150
Charges for Services		887,718	887,718
Other Revenues		331,922	331,922
<b>SUBTOTAL</b>	<b>\$9,113,990</b>	<b>\$1,461,490</b>	<b>\$10,575,480</b>
<b>PERCENT OF TOTAL</b>	<b>86.18%</b>	<b>13.82%</b>	<b>100.00%</b>
<b>INTEREST INCOME</b>	<b>\$13,401</b>	<b>\$2,149</b>	<b>15,550.00</b>
<b>TOTAL-GENERAL FUND</b>	<b>\$9,127,391</b>	<b>\$1,463,639</b>	<b>\$10,591,030</b>

*(excludes interfund transfers & Sales Tax Set-Aside)*

**CITY OF ST. HELENA**  
**Appropriation Limitation Adjustments Since 2002**

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2012/2013	1.0377	1.0068	1.0448	37,300,777	38,970,224
2013/2014	1.0512	1.0029	1.0542	38,970,224	41,084,299
2014/2015	0.9977	1.0124	1.0101	41,084,299	41,498,079
2015/2016	1.0123	1.0537	1.0667	41,498,079	43,983,747
2016/2017	1.0123	1.0537	1.0667	43,983,747	\$46,915,726

**CITY OF ST. HELENA**

**RESOLUTION NO. 2016-\_\_\_\_\_**

**APPROVING THE APPROPRIATION LIMIT FOR FISCAL YEAR 2015-16 AND THE  
SELECTION OF CURRENT FISCAL YEAR ADJUSTMENT FACTORS**

**RECITALS**

- A. **WHEREAS**, the people of California on November 6, 1979 added Article XIII-B to the State Constitution placing various limitations on the appropriations of the State and local governments; and
- B. **WHEREAS**, the State Legislature adopted Chapters 1205 and 1342 of the 1980 Statutes which implemented Article XIII-B; and
- C. **WHEREAS**, the people of California on June 5, 1990 amended Article XIII-B effective July 1, 1990; and
- D. **WHEREAS**, the provisions of the amendments have been interpreted by a coalition of statewide organizations, and the organizations have issued through the League of California Cities revised guidelines to recalculate the appropriations limit; and
- E. **WHEREAS**, the Government Code provides the process in which to calculate the appropriation limit and requires cities to adopt a resolution setting the annual appropriation limit; and
- F. **WHEREAS**, The City of St. Helena has complied with the provisions of Article XIII-B in determining the appropriations limit for Fiscal Year 2015-16.

**RESOLUTION**

NOW, THEREFORE, the City Council of the City of St. Helena resolves as follows:

- 1. The annual adjustment factors used to calculate the FY 2015-16 appropriations limit shall be the change in statewide per capita personal income percentage of 3.82% and the change in City population growth rate of 2.09%; and
- 2. The FY 2015-16 appropriation limit shall be \$43,983,747; and
- 3. The City reserves the right to change this factor selection at some future time when the necessary information becomes available on a regularly accepted and/or legislated basis.

Approved at a Regular Meeting of the St. Helena City Council on June 28, 2016 by the following vote:

**Mayor Galbraith:**

**Vice Mayor White:**

**Councilmember Crull:**

**Councilmember Dohring:**

**Councilmember Pitts:**

APPROVED:

\_\_\_\_\_  
Alan Galbraith, Mayor

ATTEST:

\_\_\_\_\_  
Cindy Black, City Clerk

**CITY OF ST. HELENA**

**RESOLUTION NO. 2016-\_\_\_\_\_**

**APPROVING THE APPROPRIATION LIMIT FOR FISCAL YEAR 2016-17 AND THE  
SELECTION OF CURRENT FISCAL YEAR ADJUSTMENT FACTORS**

**RECITALS**

- A. **WHEREAS**, the people of California on November 6, 1979 added Article XIII-B to the State Constitution placing various limitations on the appropriations of the State and local governments; and
- B. **WHEREAS**, the State Legislature adopted Chapters 1205 and 1342 of the 1980 Statutes which implemented Article XIII-B; and
- C. **WHEREAS**, the people of California on June 5, 1990 amended Article XIII-B effective July 1, 1990; and
- D. **WHEREAS**, the provisions of the amendments have been interpreted by a coalition of statewide organizations, and the organizations have issued through the League of California Cities revised guidelines to recalculate the appropriations limit; and
- E. **WHEREAS**, the Government Code provides the process in which to calculate the appropriation limit and requires cities to adopt a resolution setting the annual appropriation limit; and
- F. **WHEREAS**, The City of St. Helena has complied with the provisions of Article XIII-B in determining the appropriations limit for Fiscal Year 2016-17.

**RESOLUTION**

NOW, THEREFORE, the City Council of the City of St. Helena resolves as follows:

1. The annual adjustment factors used to calculate the FY 2016-17 appropriations limit shall be the change in statewide per capita personal income percentage of 5.37% and the change in City population growth rate of 1.23%; and
2. The FY 2015-16 appropriation limit shall be \$46,915,726; and
3. The City reserves the right to change this factor selection at some future time when the necessary information becomes available on a regularly accepted and/or legislated basis.

Approved at a Regular Meeting of the St. Helena City Council on June 28, 2016 by the following vote:

**Mayor Galbraith:**

**Vice Mayor White:**

**Councilmember Crull:**

**Councilmember Dohring:**

**Councilmember Pitts:**

APPROVED:

\_\_\_\_\_  
Alan Galbraith, Mayor

ATTEST:

\_\_\_\_\_  
Cindy Black, City Clerk