

# REQUEST FOR COUNCIL ACTION



CITY COUNCIL MEETING DATE:

JUNE 19, 2018

TITLE:

**ADOPT A RESOLUTION ESTABLISHING THE APPROPRIATION LIMIT OF THE CITY OF SANTA ANA FOR FY 2018-19, AS REQUIRED BY STATE LAW {STRATEGIC PLAN NO. 4, 1D}**

  
CITY MANAGER

CLERK OF COUNCIL USE ONLY:

APPROVED

- As Recommended
- As Amended
- Ordinance on 1<sup>st</sup> Reading
- Ordinance on 2<sup>nd</sup> Reading
- Implementing Resolution
- Set Public Hearing For \_\_\_\_\_

CONTINUED TO \_\_\_\_\_

FILE NUMBER \_\_\_\_\_

## RECOMMENDED ACTION

Adopt a resolution establishing the appropriation limit for the fiscal year 2018-19, as required by State law.

## DISCUSSION

The State of California Constitution includes various provisions, which impose a limit ("the GANN Limit") on tax proceeds that may be appropriated for expenditures by a local government in any given fiscal year and requires the cities establish this limit by resolution. Adoption of the subject resolution is necessary for compliance with these provisions for the fiscal year ending June 30, 2019.

As detailed in the exhibits to the subject resolution, the City's spending limitation from "Proceeds of Taxes" is calculated to be \$1,086,968,617 (Exhibit 1) for fiscal year 2018-19. This represents the permitted growth rate factor of 1.0439 times the fiscal year 2017-18 appropriations limit of \$1,041,257,416. The funds constrained by the appropriations limit include the General Fund, the Capital Outlay Fund, and Special Revenue Funds.

Additionally, Exhibit 1 identifies the factors used to determine the allowable increase from the prior year; Exhibit 2 categorizes FY 2018-19 anticipated revenues from "Proceeds of Taxes" and "Non-Proceeds of Taxes"; and Exhibit 3 computes the fiscal year 2018-2019 appropriations subject to this limitation and also identifies the difference between the limit and the budgeted appropriation. As demonstrated in Exhibit 3, the City's anticipated fiscal year 2018-19 appropriation subject to limitation is \$172,728,141, which is \$914,240,476 below the Gann Limit (allowable limit).

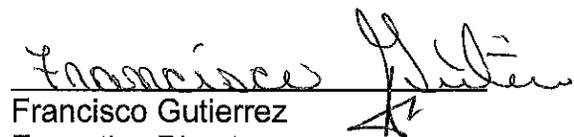
## STRATEGIC PLAN ALIGNMENT

Approval of this item allows the City to meet Goal # 4 City Financial Stability, Objective # 1 (maintain a stable, efficient and transparent financial environment), Strategy D (develop a fiscal health analysis tool that informs a department of its financial position in order to assist in its decision making process).

**75A-4-1**

**FISCAL IMPACT**

There is no fiscal impact associated with this action.

A handwritten signature in cursive script, appearing to read "Francisco Gutierrez", is written over a horizontal line.

Francisco Gutierrez  
Executive Director  
Finance and Management Services Agency

- Exhibits:
1. Computation of Appropriation Limit
  2. Schedule to Categorize Anticipated Revenues
  3. Appropriation Subject to Limitation
  4. Resolution

EXHIBIT 1  
COMPUTATION OF APPROPRIATION LIMIT  
FOR FISCAL YEAR ENDING JUNE 30, 2019

Fiscal Year 2017-18 Appropriations Limit	\$	1,041,257,416
California Per Capita Personal Income:		3.670% *
Converted into a Factor		1.0367
Population Growth:		0.69% *
Converted into a Factor:		1.0069
Calculation of factor for fiscal year 2018-19 (1.0367 x 1.0069):		1.0439
Fiscal Year 2018-19 Appropriations Limit	\$	1,086,968,617

\* Source: State of California, Department of Finance, Price and Population Information - FY 2018-19



EXHIBIT 2  
 SCHEDULE TO CATEGORIZE ANTICIPATED REVENUES  
 FOR FISCAL YEAR ENDING JUNE 30, 2019

<u>REVENUE</u>	<u>PROCEEDS OF TAXES</u>	<u>NON-PROCEEDS OF TAXES</u>	<u>TOTALS</u>
<b>TAXES:</b>			
Property Tax	\$ 78,109,701	\$ -	\$ 78,109,701
Sales Tax	50,104,702	-	50,104,702
Hotel Visitors' Tax	8,500,000	-	8,500,000
Business Tax	12,000,000	-	12,000,000
Documentary Stamp Tax	850,000	-	850,000
Utility Users' Tax	25,400,000	-	25,400,000
Medical Marijuana Tax	2,260,000	-	2,260,000
<b>Total Taxes</b>	<u>177,224,403</u>	<u>-</u>	<u>177,224,403</u>
<b>FROM STATE:</b>			
State Motor Vehicle License	153,627	-	153,627
Homeowner Prop Tax Subvention	201,205	-	201,205
State Gas Tax	-	14,338,110	14,338,110
SB90 Reimbursements	-	92,000	92,000
State Grants	-	1,397,000	1,397,000
<b>Total State</b>	<u>354,832</u>	<u>15,827,110</u>	<u>16,181,942</u>
<b>OTHER GOVERNMENT:</b>			
Community Development (CDBG)	-	6,292,659	6,292,659
Urban Area Security Initiative Grant	-	4,941,936	4,941,936
Housing (Section 8)	-	35,871,760	35,871,760
Workforce Investment Act	-	2,709,800	2,709,800
Measure M, Street Grants	-	20,018,984	20,018,984
Civic Center and Park	-	5,914,939	5,914,939
Program Income	-	300,000	300,000
Other Federal Grants	-	3,099,023	3,099,023
<b>Total Other Government</b>	<u>-</u>	<u>79,149,101</u>	<u>79,149,101</u>

Exhibit 2  
Continued

<u>REVENUE</u>	<u>PROCEEDS OF TAXES</u>	<u>NON-PROCEEDS OF TAXES</u>	<u>TOTALS</u>
<b>LOCALLY RAISED:</b>			
Licenses and Permits	-	19,381,829	19,381,829
Franchise Fees	-	3,598,000	3,598,000
Fines and Forfeitures	-	6,129,570	6,129,570
Charges for Services	-	24,897,697	24,897,697
From Use of Property	-	17,472,813	17,472,813
Others	-	5,099,500	5,099,500
Others - Inter-Agency	-	4,537,918	4,537,918
Total Locally Raised	<u>-</u>	<u>81,117,327</u>	<u>81,117,327</u>
<b>OTHER MISCELLANEOUS:</b>			
Donation	-	20,000	20,000
Sale of Property	-	2,130,300	2,130,300
Attorney Reimbursements	-	979,890	979,890
-Expense Reimbursements	-	1,562,654	1,562,654
Indirect Cost Recovery	-	2,700,000	2,700,000
From Prior Year Fund Balances	-	35,341,428	35,341,428
Refuse Program Savings	-	1,352,000	1,352,000
Interfund Transfers	-	14,550,479	14,550,479
Total Other Miscellaneous	<u>-</u>	<u>58,636,751</u>	<u>58,636,751</u>
<b>FROM USE OF MONEY:</b>			
Earnings on Investment	<u>516,136</u>	<u>719,525</u>	<u>1,235,661</u>
<b>TOTAL REVENUES</b>	<b>\$ <u>178,095,371</u></b>	<b>\$ <u>235,449,814</u></b>	<b>\$ <u>413,545,185</u></b>

EXHIBIT 3  
APPROPRIATION SUBJECT TO LIMITATION  
FOR FISCAL YEAR ENDING JUNE 30, 2019

Proceeds of taxes	\$ 178,095,371
Less: Exclusions	<u>(5,367,230)</u>
Appropriation subject to limitation	\$ 172,728,141
Current year limit	1,086,968,617
Over(under) limit	<u><u>\$ (914,240,476)</u></u>



EXHIBIT 4

ROH: 06/19/18

RESOLUTION NO. 2018-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA ESTABLISHING THE APPROPRIATION LIMIT OF THE CITY OF SANTA ANA FOR FISCAL YEAR 2018-2019

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SANTA ANA AS FOLLOWS:

Section 1. The City Council of the City of Santa Ana hereby finds, determines and declares as follows:

- A. Article XIII B of the Constitution of the State of California, adopted by the voters of the State of California in 1979, imposes upon State and local government the obligation to limit each fiscal year's appropriations to those established in fiscal year 1978-79 as adjusted for by inflation and population, together with other specified changes required or permitted.
- B. In June of 1990, the voters of the State of California approved Proposition 111, which amended Article XIII B to establish the limit originally calculated for fiscal year 1986-87 as a new adjustment base and to change the definition of the cost of living to be either the percentage change in California per capita personal income from the preceding year or the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local non-residential new construction.
- C. Proposition 111 further modified Article XIII B requirements by making certain capital outlay, debt service, emergency and court ordered expenditures not subject to the limit and by allowing expenditures in excess of one year's limit to be offset by under expenditures in an immediately following year.
- D. The City of Santa Ana has opted to use as the inflation adjustment factor, the percentage change in the California per capita personal income from the preceding year.
- E. The City of Santa Ana has opted to use as the population adjustment factor, the County's percentage change in population from the preceding year.

Resolution No. 2018-\_\_\_\_\_

- F. Section 7910 of the Government Code of the State of California requires the governing body of each local jurisdiction each year to, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution at a regularly scheduled meeting or noticed special meeting. Fifteen days prior to the meeting, documentation used in the determination of the appropriations limit and other necessary determinations shall be available to the public.
- G. This matter came before the City Council at its regularly scheduled meeting of June 19, 2018.
- H. The Executive Director, Finance and Management Services Agency of the City of Santa Ana, has determined the City's appropriation limit for fiscal year 2018-2019 in accordance with said provisions of the Constitution and laws of the State of California, and the documentation used in the determination has been available to the public since not later than June 4, 2018, in the office of the Executive Director, Finance & Management Services Agency.

Section 2. Based upon the above referenced facts and all facts specified in the accompanying Request for Council Action and its attachments, and each of them, the appropriation limit of the City of Santa Ana for fiscal year 2018-2019 is hereby found and determined to be \$1,086,968,617.

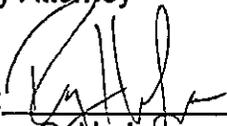
Section 3. This Resolution shall take effect immediately upon its adoption by the City Council, and the Clerk of the Council shall attest to and certify the vote adopting this Resolution.

ADOPTED this \_\_\_\_ day of \_\_\_\_\_, 2018.

\_\_\_\_\_  
Miguel A. Pulido  
Mayor

APPROVED AS TO FORM:

Sonia R. Carvalho  
City Attorney

By:   
\_\_\_\_\_  
Ryan O. Hodge  
Assistant City Attorney

Resolution No. 2018-\_\_\_\_

**75A-4-10**

AYES: Councilmembers \_\_\_\_\_  
NOES: Councilmembers \_\_\_\_\_  
ABSTAIN: Councilmembers \_\_\_\_\_  
NOT PRESENT: Councilmembers \_\_\_\_\_

**CERTIFICATE OF ATTESTATION AND ORIGINALITY**

I, Maria D. Huizar, Clerk of the Council, do hereby attest to and certify the attached Resolution No. 2018-\_\_\_\_\_ to be the original resolution adopted by the City Council of the City of Santa Ana on June 19, 2018.

Date: \_\_\_\_\_

\_\_\_\_\_  
Clerk of the Council  
City of Santa Ana

