

**City Manager's Report****June 25, 2019 City Council Meeting****Prepared by: Dave Warren, Assistant City Manager/Director of Finance****Item #: 11.2**

**Subject:** Adopt a resolution establishing the appropriation limit (Gann) for Fiscal Year 2018/2019 and determining compliance with Government Code Section 7910.

**Purpose:**

To establish the annual appropriation limit as subscribed by Government Code Section 7910 and determine whether or not the City's General Fund revenues fall within the established appropriations limit.

**Background:**

In November 1979, the voters of California passed Proposition IV which specified that government appropriations may increase annually by a factor comprised of the change in population combined with either the Consumer Price Index (CPI) or the change in per capita personal income. The Proposition was intended to provide citizen control of government spending and taxation.

The adoption of the Gann Limit is an annual requirement. The City of Placerville's Gann Limit is currently calculated to be \$23,083,417. The General Fund tax proceeds subject to the Gann Limit are \$6,753,647. Like past years, the City of Placerville is well within the appropriations limit for Fiscal Year 2018/2019.

**Analysis:**

The Gann Limit calculation begins with the General Fund revenues for Fiscal Year 2017/2018 (please see Exhibit A). Of the total revenues, revenue "proceeds" and "non-proceeds" are summarized in separate columns. Revenue proceeds are those revenue sources that are subject to the Gann Limit including most tax measures and intergovernmental revenue. Non-proceed revenues include most local fees, fines, and permits and are not subject to the Gann Limit.

Total General Fund revenues for Fiscal Year 2017/2018 are \$8,525,898. Of the \$8,525,898 amount, \$6,753,647 is calculated to be proceed revenues or revenues subject to the Gann Limit and \$1,772,251 is calculated to be non-proceed revenue not subject to the Gann Limit. Interest income has been allocated based on the weighted average of each category.

The Council adopted Gann Limit for Fiscal Year 2017/2018 was \$22,111,466. Each year, the City is required to adjust Placerville's Gann Limit by both the prior year per capita personal income increment and the prior year change in population (please see Note 4). This information is received from the State Department of Finance (please see the attached letter). The Fiscal Year 2018/2019 Gann Limit was adjusted by per capita personal increment factor of 1.0367% and a population change factor of 1.0070%. The Fiscal Year 2018/2019 Gann Limit is calculated to be \$23,083,417. The General Fund proceed revenues subject to the Gann Limit is \$6,753,647 leaving \$16,329,770 of unused appropriation limit. As you can see, Placerville is well within the Gann Limit.

This calculation was made available for public viewing at least fifteen days prior to tonight's meeting. Staff respectfully requests the Council's approval of the Fiscal Year 2018/2019 Gann Limit calculation

**Cost:**

There is no cost associated with tonight's recommendation.

**Budget Impact:**

There is no budget impact associated with tonight's recommendation. The adopted Fiscal Year 2018/2019 General Fund Budget revenues are well within the Gann Limit.

**Recommendation:**

Adopt a resolution establishing the appropriation limit (Gann) for Fiscal Year 2018/2019 and determining compliance with Government Code Section 7910.



M. Cleve Morris, City Manager



Dave Warren, Assistant City Manager/  
Director of Finance

**City of Placerville**  
**Exhibit A**  
**Calculation of Appropriations Subject to Proposition IV Limit**  
**For Fiscal Year Ended June 30, 2019**

	<u>Revenues</u>	<u>Proceeds</u>	<u>Non-Proceeds</u>	<u>Allocated</u>
<b>General Fund</b>				
<b>Taxes</b>				
Property Tax	\$ 290,224	\$ 290,224	\$ -	\$ -
Franchise Tax	329,246	329,246	-	-
Sales Tax	4,796,155	4,796,155	-	-
Sales Tax-public safety	-	-	-	-
Transient occupancy tax	218,501	218,501	-	-
Business tax	158,944	158,944	-	-
Real property transfer	57,083	57,083	-	-
Other taxes	-	-	-	-
Total Taxes	<u>5,850,153</u>	<u>5,850,153</u>	<u>-</u>	<u>-</u>
<b>Licenses and Permits</b>				
Construction Permits	138,726	-	138,726	-
Mobile home permits	-	-	-	-
Other permits	-	-	-	-
Total licenses and permits	<u>138,726</u>	<u>-</u>	<u>138,726</u>	<u>-</u>
<b>Intergovernmental Revenues</b>				
Motor vehicle in lieu tax	901,734	901,734	-	-
Off Highway vehicle license	-	-	-	-
Other State reimbursements	25	-	25	-
POST Reimbursements	33,141	-	33,141	-
B.S.C.C.	-	-	-	-
Street Sweeping-Cal Trans	-	-	-	-
Total intergovernmental revenues	<u>934,900</u>	<u>901,734</u>	<u>33,166</u>	<u>-</u>
<b>Charges for Services</b>				
Plan check fees	91,243	-	91,243	-
Subdivision fees	-	-	-	-
Planning and zoning fees	19,945	-	19,945	-
Engineering fees	39,125	-	39,125	-
Environmental assessment fees	-	-	-	-
Finance Service Fees	18,232	-	18,232	-
Police contract services	38,182	-	38,182	-
Fire services	-	-	-	-
Recreation fees	620,950	-	620,950	-
Total charges for services	<u>827,677</u>	<u>-</u>	<u>827,677</u>	<u>-</u>
<b>Subtotal forwarded</b>	<u>7,751,456</u>	<u>6,751,887</u>	<u>999,569</u>	<u>-</u>

**City of Placerville**  
**Exhibit A (Continued)**  
**Calculation of Appropriations Subject to Proposition IV Limit**  
**For Fiscal Year Ended June 30, 2019**

<b>General Fund, Continued</b>	<u>Revenues</u>	<u>Proceeds</u>	<u>Non-Proceeds</u>	<u>Allocated</u>
<b>Subtotal forwarded</b>	\$ 7,751,456	\$ 6,751,887	\$ 999,569	\$ -
<b>Fines and forfeitures</b>				
Vehicle code fines	45,137	-	45,137	-
Abandoned vehicle abatement	1,774	-	1,774	-
Parking citations	-	-	-	-
Other court fines	-	-	-	-
Restitution-booking fees	-	-	-	-
DUI cost recovery	1,361	-	1,361	-
Total fines and forfeitures	<u>48,272</u>	<u>-</u>	<u>48,272</u>	<u>-</u>
<b>Use of Money and Property</b>				
Interest	2,222	-	-	2,222
Concession fees	-	-	-	-
City Hall/Pool/Scout/Town Hall rentals	61,405	-	61,405	-
Sundry revenues	110,505	-	110,505	-
Total use of money and property	<u>174,132</u>	<u>-</u>	<u>171,910</u>	<u>2,222</u>
<b>Other Financing Sources</b>				
Overhead allocation	552,038	-	552,038	-
Total other financing sources	<u>552,038</u>	<u>-</u>	<u>552,038</u>	<u>-</u>
<b>Subtotal General Fund</b>	<u>8,525,898</u>	<u>6,751,887</u>	<u>1,771,789</u>	<u>2,222</u>
Interest allocation (Note 2)		<u>1,760</u>	<u>462</u>	<u>-</u>
<b>Total General Fund</b>		<u><b>\$ 6,753,647</b></u>	<u><b>\$ 1,772,251</b></u>	<u><b>\$ 2,222</b></u>

**City of Placerville**  
**Exhibit B**  
**Calculation of Appropriations Subject to Proposition IV Limit**  
**For Fiscal Year Ended June 30, 2019**

<b>Limit at June 30, 2018</b>	<b>\$ 22,111,466</b>
<b>2018/2019 per capita personal income increment (Note 4)</b>	1.0367
	22,922,957
2017 to 2018 population change	<u>1.0070</u>
<b>Appropriations Limit FY 18/19</b>	<b><u>\$ 23,083,417</u></b>
<b>Appropriations Limit FY 18/19</b>	\$ 23,083,417
<b>Total FY 18/19 General Fund revenues subject to Appropriations Limit (Schedule A)</b>	<u>6,753,647</u>
<b>Unused appropriations limit</b>	<b><u>\$ 16,329,770</u></b>

**City of Placerville**  
**Notes to Proposition IV Limit Calculation**  
**For Fiscal Year Ended June 30, 2019**

Note 1: Summary of Significant Policies

A. Background

In November 1979, the voters of California passed Proposition IV, which added Article XIII B to the State Constitution. This article specifies that appropriations made by governmental entities may increase annually by a factor comprised of the change in population, combined with either the change in U.S. Consumer Price Index or California per capita personal income.

B. Accounting Basis

The City of Placerville prepares the annual budget using the accrual method of accounting. This method is in conformance with generally accepted accounting principles, and accordingly, the calculation included in this report has been prepared on the budgetary basis used by the City.

C. Proceeds/Non-Proceeds of Tax

The revenue for each governmental type fund has been allocated between proceeds and non-proceeds of tax based on the guidelines established by the Office of the State Controller. Please refer to Exhibit A for the City of Placerville's revenue allocation.

Note 2: Interest Allocation

Interest earned in the General Fund is required to be allocated between proceeds and non-proceeds of taxes. The following calculation was performed to make this allocation:

	Total General Fund (Excluding Interest)	Proceeds	Non- Proceeds
Total Revenue Amount	<u>\$8,525,898</u>	<u>\$6,751,887</u>	<u>\$1,771,789</u>
Percent	100.00%	79.21%	20.79%
Interest Allocated	<u>\$2,222</u>	<u>\$1,760</u>	<u>\$462</u>

Note 3: Enterprise Fund Activities

Each enterprise fund activity must be analyzed to determine if “excess revenues” exist which may be construed to be proceeds of tax. This analysis was performed the Water and Sewer Enterprise Funds. It was determined that the costs of providing these services equal or exceed the revenues generated. Accordingly, no excess revenues exist as of June 30, 2019.

Note 4: Population and Price Indexes

The State of California Department of Finance provides to each agency subject to the provisions of Article XIIB, the population information for the applicable city or County, as well as per capita income information. These factors are used in the City of Placerville’s 2018/2019 Appropriations Limit calculation as illustrated on Exhibit B.