

CITY OF DANA POINT
AGENDA REPORT

Reviewed By:	
DH	<u> x </u>
CM	<u> x </u>
CA	<u> </u>

DATE: JUNE 25, 2003

TO: CITY MANAGER/CITY COUNCIL

FROM ANDREW S. GLASS, ACCOUNTING MANAGER

SUBJECT: ADOPTION OF A RESOLUTION ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2004

RECOMMENDED ACTION:

That the City Council adopt a Resolution establishing the City's Appropriations Limit for FY2004 at \$55,656,135.

ISSUES:

Mandatory compliance is required under the State of California's Constitution.

BACKGROUND:

Voters approved the Gann Spending-Limitation Initiative in November 1979, adding an Article to the Constitution of the State of California to establish and define annual Appropriations Limits on state and local governmental entities. Implementation of this Article is achieved by defining various terms used in this article and prescribing procedures to be used in implementing specific provisions of the article, including the annual establishment by resolution of an Appropriations Limit by each local jurisdiction.

Essentially, the Gann Initiative limits the amount of revenues a City may raise through taxes, and by restricting revenues thereby restricts the amount the City may spend.

At the date Dana Point incorporated, LAFCO established the City's initial Appropriations Limit. By State law this amount has been adjusted each year based upon a factor derived from changes in the City's population plus an inflation factor. These two factors are both provided to the City by the California Department of Finance.

The annual action that the City is required to take involves recalculating the Appropriations limit by using the adjustment factors provided by the State.

DISCUSSION:

Recalculating the Appropriations Limit

An annual adjustment component is derived using population and per-capita personal income inflation factors provided by the State of California's Department of Finance. The prior year's Appropriations Limit is multiplied by this component to arrive at the current year's Appropriations Limit. This calculation is shown in Supporting Document B. For FY 2004, the Appropriations Limit has been computed to be \$55,656,135.

Determining City Compliance with Appropriations Limit

As discussed earlier, the Appropriations Limit establishes the amount of tax revenue the City may receive for a given year. As has been discussed in past years, Dana Point's Appropriations Limit vastly exceeds the tax revenues the City is ever likely to see. In the case of the FY2004 Appropriations Limit, total City revenues under the proposed FY2004 budget are only \$24,636,400, which is well under the Limit.

NOTIFICATION/FOLLOWUP:

None.

FISCAL IMPACT:

None.

ALTERNATIVE ACTIONS:

None, as the recommended action is mandatory for all cities.

ACTION DOCUMENTS:

A. [Resolution Adopting the Appropriations Limit for FY2004](#) 3

SUPPORTING DOCUMENTS:

B. [Calculation of FY2004 Appropriations Limit](#) 5

ACTION DOCUMENT A

RESOLUTION NO. 03-06-25-

A RESOLUTION OF THE CITY COUNCIL OF THE
CITY OF DANA POINT, CALIFORNIA,
ESTABLISHING THE APPROPRIATIONS LIMIT FOR
FISCAL YEAR 2004.

WHEREAS, the voters approved the Gann Spending-Limitation Initiative (Proposition 4) on November 6, 1979, adding Article XIII B to the Constitution of the State of California to establish and define annual appropriation limits on state and local governmental entities; and

WHEREAS, SB 1352 provides for the implementation of Article XIII B by defining various terms used in this article and prescribing procedures to be used in implementing specific provisions of the article, including the establishment by resolution each year by the governing body of each local jurisdiction of its appropriations limit; and

WHEREAS, the required computations to determine the Appropriations Limit for Fiscal Year 2004 have been performed by the Department of Administrative Services and are on file with the Office of the City Clerk, and available for public review; and

WHEREAS, these computations are provided in Supporting Document B which is herein incorporated by reference and attached hereto.

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF DANA POINT, CALIFORNIA, DOES RESOLVE, DECLARE, DETERMINE AND ORDER AS FOLLOWS:

- Section 1. The Appropriations Limit for the City of Dana Point for Fiscal Year 2004 is \$55,656,135.
- Section 2. The City Clerk shall certify to the adoption of this resolution and shall cause a certified resolution to be filed in the Office of the City Clerk.

PASSED, APPROVED, AND ADOPTED by the City Council of the City of Dana Point at its regular meeting held on the 25th day of June, 2003.

WILLIAM L. OSSENMACHER, MAYOR

ATTEST:

SUSAN RAMOS, CITY CLERK

STATE OF CALIFORNIA)
COUNTY OF ORANGE) ss
CITY OF DANA POINT)

I, SUSAN RAMOS, City Clerk of the City of Dana Point, California do hereby certify that the foregoing Resolution No. 03-06-25-____ was duly adopted and passed at a regular meeting of the City Council on the 25th day of June, 2003, by the following vote to wit:

AYES:

NOES:

ABSTAIN:

ABSENT:

SUSAN RAMOS, CITY CLERK

SUPPORTING DOCUMENT B

**CITY OF DANA POINT
APPROPRIATIONS LIMIT CALCULATION
FISCAL YEAR 2004**

A. Prior Year's Adopted Limit (FY2003)	\$53,872,941
FY2004 adjustment Factors:	
1. Population %	.98
2. Inflation %	2.31
3. Population converted to a ratio	1.0098
4. Inflation converted to a ratio	1.0231
B. Total Adjustment Factor (= A3 x A4)	<hr/> <u>1.0331</u>
C. FY2004 Limit (= A x B)	\$55,656,135