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DATE: August 17, 2011  
TO: Honorable Mayor and City Councilmembers  
FROM: Financial Services Department  
SUBJECT: **RESOLUTIONS AMENDING APPROPRIATIONS LIMIT FOR FISCAL YEAR 2010-2011 AND FISCAL YEAR 2011-2012**

**SYNOPSIS**

Staff recommends that the City Council adopt resolutions to amend the appropriations limit for Fiscal Year 2010-2011 and Fiscal Year 2011-2012.

**BACKGROUND**

Article XIII B of the California State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, was adopted by California voters on November 6, 1979, and placed limits on the amount of proceeds or taxes that state and local governmental agencies can receive and appropriate (authorize to spend) each year. The limit is different for each agency and the limit changes each year.

Each year's limit is based on the amount of tax proceeds that were authorized to be spent in Fiscal Year 1978-79 in each agency, modified by changes in inflation and population in each subsequent year. Inflationary adjustments are, by law, based on increases in the March-to-March U.S. or California, All Urban Consumer Price Index. The State Department of Finance provides the City with the required annual population change factor and percentage change in the per capita personal income to be used for the appropriations limit calculations.

As part of the City's annual financial review, the City's auditors, Lance, Soll & Lunghard, CPA, prepares an "Independent Accountants' Report on Agreed-Upon Procedures Applied to Appropriations Limit Worksheets".

**ANALYSIS**

In preparation for the Fiscal Year Ended June 30, 2010 audit, the auditors identified an error in the population ratio for FY 2010-2011 resulting in an understatement of the cumulative growth rate of 0.0047% for that Fiscal Year. That percentage correction will adjust the FY 2010-2011 appropriations limit from \$291,192,994 as stated in Resolution No. 10-R0490-1 to \$292,576,471 per the attached amended resolution. Subsequently

this will amend the FY 2011-2012 appropriations limit from \$300,173,549 as stated in Resolution 11-R0437-1 to \$301,599,693 per the attached amended resolution.

**FISCAL IMPACT**

There is no budgetary fiscal impact as the FY 2010-2011 and FY 2011-2012 General Fund proceeds of taxes fall well within the amended appropriations limit.

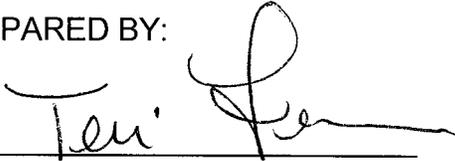
**CITY ATTORNEY'S ANALYSIS**

The referenced documents have been reviewed by the City Attorney and approved as to form.

**RECOMMENDATION**

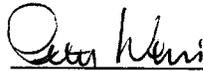
Staff recommends that the City Council adopt resolutions to amend the appropriations limit for Fiscal Year 2010-2011 and Fiscal Year 2011-2012.

PREPARED BY:



Teri Ferro  
Financial Services Director

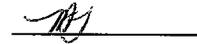
SUBMITTED BY:



Peter A. Weiss  
City Manager

REVIEWED BY:

Michelle Skaggs Lawrence, Deputy City Manager



Attachments:

- Resolution Amending Resolution 10-R0490-1 Which Determined and Adopted an Appropriations Limit for the Fiscal Year 2010-2011
- Resolution Amending Resolution 11-R0437-1 Which Determined and Adopted an Appropriations Limit for the Fiscal Year 2011-2012

1 RESOLUTION NO.

2 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF**  
3 **OCEANSIDE, CALIFORNIA AMENDING RESOLUTION 11-**  
4 **R0437-1 WHICH DETERMINED AND ADOPTED AN**  
5 **APPROPRIATION LIMIT FOR THE FISCAL YEAR 2011-2012 IN**  
6 **ACCORDANCE WITH ARTICLE XIII-B OF THE CONSTITUTION**  
7 **OF THE STATE OF CALIFORNIA**

8 WHEREAS, Article XIII-B was added to the Constitution of the State of California  
9 through a general election held on November 6, 1979; and

10 WHEREAS, Proposition 111 approved by the voters in June 1990, and SB 88 (Chapter  
11 60/90) made modifications to Article XIII-B regarding the adjustment factors for inflation and  
12 population; and

13 WHEREAS, the City Council desires to select the factors that are more indicative of  
14 local conditions, or are considered more advantageous, as indicated in Exhibit "A"; and

15 WHEREAS, an annual appropriations limit must be determined for this City, effective  
16 for the Fiscal Year 2011-2012, beginning July 1, 2011; and

17 WHEREAS, the appropriations limit must be adhered to in preparing and adopting this  
18 City's annual budget; and

19 WHEREAS, it is necessary for the orderly adoption and administration of this City's  
20 annual budget that the appropriations limits be determined and adopted in conjunction with  
21 the adoption of the annual budget.

22 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

23 SECTION 1. In accordance with Article XIII-B of the Constitution of the State of  
24 California, as modified by Proposition 111 and SB 88 (Chapter 60/90) the appropriation limit  
25 for Fiscal Year 2011-2012, as set forth in the attached Exhibit "A" is amended to  
26 \$301,599,693 for FY 2011-2012.

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1 SECTION 2. That the appropriation limits shall not be exceeded in the proposed  
2 budget nor by any proposed amendment to the budget.

3 PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this  
4 17<sup>th</sup> day of August, 2011, by the following vote:

5 AYES:

6 NAYS:

7 ABSENT:

8 ABSTAIN:

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10 MAYOR OF THE CITY OF OCEANSIDE

11 ATTEST:

12 APPROVED AS TO FORM:

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15 CITY CLERK

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18 CITY ATTORNEY

## EXHIBIT "A"

### CITY OF OCEANSIDE Schedule of Annual Appropriations and Limitation For Fiscal Year 2011-2012

	<u>2011-2012</u>
Cumulative Growth Rate	1.0308%
Appropriations Limit	\$301,599,693
Projected Revenues from Proceeds of Taxes	\$73,782,341
Amount of Projected Revenues Below the Maximum Revenue Allowed	\$227,817,352
Percentage Under Appropriation Limitation	75.54%

Article XIII B of the California Constitution, more commonly known as the Annual Appropriation Limitation or "Gann Limit", specifies the amount of allowable revenue the City of Oceanside can appropriate from the proceeds of taxes. The City's Appropriation Limitation is projected to be approximately \$301.6 million or 75.54% below its Gann Limit for the Fiscal Year 2011-2012. In accordance with Proposition 111 and SB 88 (Chapter 60/90) the Appropriation Limitation is calculated utilizing a format based on the percentage of growth in California Per Capita Income and City population.

1 RESOLUTION NO.

2 **A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF**  
3 **OCEANSIDE, CALIFORNIA AMENDING RESOLUTION 10-**  
4 **R0490-1 WHICH DETERMINED AND ADOPTED AN**  
5 **APPROPRIATION LIMIT FOR THE FISCAL YEAR 2010-2011 IN**  
6 **ACCORDANCE WITH ARTICLE XIII-B OF THE CONSTITUTION**  
7 **OF THE STATE OF CALIFORNIA**

8 WHEREAS, Article XIII-B was added to the Constitution of the State of California  
9 through a general election held on November 6, 1979; and

10 WHEREAS, Proposition 111 approved by the voters in June 1990, and SB 88 (Chapter  
11 60/90) made modifications to Article XIII-B regarding the adjustment factors for inflation and  
12 population; and

13 WHEREAS, the City Council desires to select the factors that are more indicative of  
14 local conditions, or are considered more advantageous, as indicated in Exhibit "A"; and

15 WHEREAS, an annual appropriations limit must be determined for this City, effective  
16 for the Fiscal Year 2010-2011, beginning July 1, 2010; and

17 WHEREAS, the appropriations limit must be adhered to in preparing and adopting this  
18 City's annual budget; and

19 WHEREAS, it is necessary for the orderly adoption and administration of this City's  
20 annual budget that the appropriations limits be determined and adopted in conjunction with  
21 the adoption of the annual budget.

22 NOW, THEREFORE, the City Council of the City of Oceanside does resolve as follows:

23 SECTION 1. In accordance with Article XIII-B of the Constitution of the State of  
24 California, as modified by Proposition 111 and SB 88 (Chapter 60/90) the appropriation limit  
25 for Fiscal Year 2010-2011, as set forth in the attached Exhibit "A" is amended to  
26 \$292,576,471 for FY 2010-2011.

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SECTION 2. That the appropriation limits shall not be exceeded in the proposed budget nor by any proposed amendment to the budget.

PASSED AND ADOPTED by the City Council of the City of Oceanside, California, this 17<sup>th</sup> day of August, 2011, by the following vote:

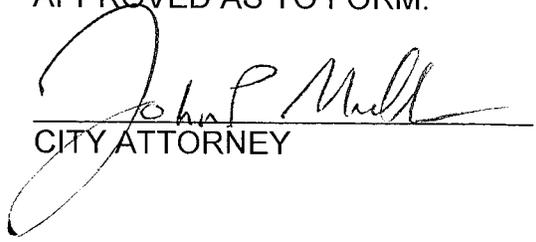
- AYES:
- NAYS:
- ABSENT:
- ABSTAIN:

MAYOR OF THE CITY OF OCEANSIDE

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
CITY CLERK

  
\_\_\_\_\_  
CITY ATTORNEY

## EXHIBIT "A"

### CITY OF OCEANSIDE Schedule of Annual Appropriations and Limitation For Fiscal Year 2010-2011

	<u>2010-2011</u>
Cumulative Growth Rate	0.9893%
Appropriations Limit	\$292,576,471
Projected Revenues from Proceeds of Taxes	\$73,782,341
Amount of Projected Revenues Below the Maximum Revenue Allowed	\$216,722,072
Percentage Under Appropriation Limitation	74.07%

Article XIII B of the California Constitution, more commonly known as the Annual Appropriation Limitation or "Gann Limit", specifies the amount of allowable revenue the City of Oceanside can appropriate from the proceeds of taxes. The City's Appropriation Limitation is projected to be approximately \$292.6 million or 74.07% below its Gann Limit for the Fiscal Year 2010-2011. In accordance with Proposition 111 and SB 88 (Chapter 60/90) the Appropriation Limitation is calculated utilizing a format based on the percentage of growth in California Per Capita Income and City population.