



City of Pleasant Hill

CITY COUNCIL STAFF REPORT

Meeting Date: June 22, 2020

TO: THE HONORABLE MAYOR AND CITY COUNCILMEMBERS

SUBJECT: ADOPT RESOLUTION NO. ____-20 ESTABLISHING THE PROPOSITION 4 APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION FOR THE FISCAL YEAR 2020/21

SYNOPSIS

The City is required, by the State Constitution, to annually establish and adhere to a limit on the amount of its appropriations. The limit is prescribed by a State formula. For the fiscal year (FY) 2020/21, staff has calculated that the appropriations limit is \$31,714,769. Per the adopted budget, the City expects to collect, and has budgeted to appropriate, \$22,423,038 of Proposition 4-covered revenue, \$9,291,731 below the appropriations limit. The Budget Committee reviewed the proposed appropriations limit at their meeting of June 12, 2020 and recommended the City Council adopt the proposed resolution authorizing the appropriations limit.

DISCUSSION

Background

In November 1979, California voters approved Proposition 4, “The Gann Initiative” which is incorporated in Article XIII B of the California State Constitution. Proposition 4 limits the amount of tax revenue that State and local government agencies can appropriate. A jurisdiction’s annual appropriations limit is calculated based upon the level of appropriations in fiscal year 1979 and subsequent changes in the local population and cost of living.

A jurisdiction may choose between two population growth factors and two cost of living factors when calculating its appropriations limit. The choice offered regarding population growth is between the growth in city or county population. The California State Department of Finance provided the 2020 population growth rates for the City of Pleasant Hill and Contra Costa County as -.06% and .26%, respectively (memorandum attached). The City used the County population growth factor, which was .26%. The choice offered for the annual cost of living factor is between the growth in California per capita income and the growth in non-residential assessed valuation due to new construction within the City. The City used the growth in California per capita income, which was 3.73%.

Analysis

Based upon the formula dictated by law, the City's fiscal year 2020/21 Appropriations Limit from the proceeds from taxes is \$31,714,769, calculated as shown in the table below. The City expects to collect, and has budgeted to appropriate, \$22,423,038 in Proposition 4-covered revenue in fiscal year 2020/21, \$9,291,731 below its Proposition 4 Appropriations Limit.

FY 2019/20 Appropriations Limit	\$30,495,059
Adjustment Factors:	
Population Growth	1.0026
Inflation	<u>x1.0373</u>
Total Adjustment Factor	<u>x1.04000</u>
FY 2020/21 Appropriations Limit	\$31,714,769

FISCAL IMPACT

There is no direct fiscal impact that would result from adopting the proposed annual Appropriations Limit.

PUBLIC CONTACT

Public contact was made through posting of the City Council agenda on the City's official notice bulletin board and at the Pleasant Hill Police Department. The agenda and staff report are posted on the City's web page.

RECOMMENDED CITY COUNCIL ACTION

Adopt the proposed resolution as recommended by the Budget Committee at their meeting of June 12, 2020.

ALTERNATIVES TO RECOMMENDED ACTION

Do not adopt the attached resolution.

ATTACHMENT(S):

Proposed Resolution

California Department of Finance Memorandum on Price and Population Information

Prepared by: Mary McCarthy, Finance Manager

Approved by: June Catalano, City Manager