

BOARD/COMMISSION RECOMMENDATION

Not applicable.

DISCUSSION

Article XIII B of the California Constitution, approved by the voters in 1979, imposed the concept of spending limits on local governments. This Constitutional provision and related implementing legislation specifies that annual increases in general fund appropriations financed from "Proceeds of Taxes" are limited to a base year (1978-79) amount increased annually by an inflation factor comprised of the change in population of the City combined with the greater of the change in new non-residential construction or the change in the California per capita personal income. By definition, "Proceeds of Taxes" includes such revenues as property taxes, sales and use taxes, utility user taxes, transient occupancy taxes, and state subventions. Revenues from other sources like fees/charges and federal grants are considered "Non-Proceeds of Taxes" and are not subject to the annual spending limit. This calculation has always been perfunctory for the City of Chula Vista, since the proceeds of taxes for the City are far less than the statutory appropriation limit.

The State Department of Finance and the San Diego County Assessor's Office are charged with providing the data necessary for local jurisdictions to establish their appropriation limit. According to these sources, for purposes of the fiscal year 2016-17 calculation, the population increased 0.66%. California per capita personal income increased by 5.37% and new non-residential construction increased by 3.4% consequently new non-residential construction was used in the formula to compute the limit since this increase is the greater of the two amounts.

The fiscal year 2016-17 Appropriation Limit has been calculated as follows:

Fiscal Year 2015-16 Appropriation Limit	\$765,339,521
Increased by an inflation factor composed of the increases in Population and per capita income change	<u>X 1.060654</u>
Fiscal Year 2016-17 Appropriations Limit	<u>\$811,760,746</u>

The "Proceeds of Taxes" as included in the fiscal year 2016-17 Proposed Budget that are subject to the appropriations limit are estimated to be \$95,873,998 (see attachment). Therefore the City has what is referred to as an appropriation "gap" of \$715,886,748 (\$811,760,746 - \$95,873,998). Simply stated, this means that the City could collect and spend up to \$715,886,748 more in taxes during Fiscal Year 2016-2017 without exceeding the Constitutional limit.

DECISION-MAKER CONFLICT

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the 500-foot rule found in California Code of Regulations Title 2, section 18702.2(a)(11), is not applicable to this decision for purposes of determining a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov't Code § 87100, et seq.).

Staff is not independently aware, and has not been informed by any **City Council** member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

LINK TO STRATEGIC GOALS

The City's Strategic Plan has five major goals: Operational Excellence, Economic Vitality, Healthy Community, Strong and Secure Neighborhoods and a Connected Community. This item supports the goal of Operational Excellence because approval of this item will establish the new appropriation limit for fiscal year 2016-17 and be in compliance with California Government Code 7910.

CURRENT YEAR FISCAL IMPACT

This action will enable the City to appropriate and spend tax revenues estimated at \$95,873,998 included in the proposed budget for fiscal year 2016-2017.

ONGOING FISCAL IMPACT

The adoption of the resolution will result in no on-going fiscal impact.

ATTACHMENTS

Attachment A

Staff Contact: David Bilby