



TOWN OF APPLE VALLEY

TOWN COUNCIL STAFF REPORT

To: Honorable Mayor and Town Council **Date:** June 26, 2018

From: Kofi Antobam, Director of Finance **Item No:** 9
Finance Department

Subject: ADOPTION OF FISCAL YEAR 2018-2019 APPROPRIATIONS LIMIT

T.M. Approval: _____ **Budgeted Item:** Yes No N/A

RECOMMENDED ACTION:

Adopt Resolution No. 2018-29 of the Town Council of the Town of Apple Valley, California, establishing the Fiscal Year 2018-2019 Appropriations Limit for the Town at \$38,966,012 by using the Town's population growth for the population adjustment and the California per capita income growth for the inflationary adjustment.

SUMMARY:

Since the addition of Article XIII-B to the Constitution of California in November 1979, the Town has been required to annually establish an Appropriations Limit. The ideology behind establishing an annual appropriation limit is that if an agency's ability to spend tax proceeds each year is controlled, then the growth in tax revenues can be systematically and incrementally managed to lessen the impact or tax burden upon taxpayers throughout the State.

In June 1990, Article XIII-B and its implementing legislation Chapter 1205/80 were modified by Proposition 111 and SB 88. The modifications changed the annual adjustment factors for determining the Appropriations Limit. Beginning with the calculation of the Appropriations Limit for Fiscal Year 1990-1991, the Town may choose one of the following factors to use for inflationary adjustment:

- The growth in California per capita income; or
- The growth in the non-residential assessed valuation due to new construction within the Town.

In addition, the Town may choose to use either the population growth of the Town or the population growth within the County. These two adjustment factors, one for inflation and one for population, are both annual elections for the Town in determining its Appropriations Limit.

BACKGROUND:

The methodology used to determine the Town's Appropriations Limit is to multiply the inflation and population adjustment factors by the prior year's Appropriations Limit. For Fiscal Year 2018-2019, the inflation and population figures provided by the State Department of Finance are as follows:

California Per Capita Income Percentage Change	3.67%
Town of Apple Valley's Population Growth	.87%

Since the growth in non-residential assessed valuation due to new construction is not available at this time, the growth in California Per Capita Income must be used as the inflationary factor. The Town's Appropriations Limit for Fiscal Year 2018-2019 is calculated at \$38,966,012. This amount is the result of applying the 3.67% California per capita personal income factor and the .87% Town of Apple Valley population growth factor to the Fiscal Year 2017-2018 adopted Appropriations Limit of \$37,263,089.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2018-2019 is \$22,130,220. This estimate is \$16,835,792 or 43.2% below the proposed Appropriations Limit for Fiscal Year 2018-2019.

ALTERNATIVES CONSIDERED:

No alternatives were considered. Section 7910 of the Government Code of the State of California requires the Town to establish an Appropriations Limit annually.

FISCAL REVIEW:

The Town's total estimated revenue from general tax proceeds is \$16,835,892 or 43.2% below the proposed Fiscal Year 2018-2019 Appropriations Limit. Therefore, the Town is well within its Appropriations Limit established pursuant to Section 7910 of the Government Code of the State of California and will not exceed this limit during Fiscal Year 2018-2019.

LEGAL REVIEW:

The attached resolution has been reviewed and approved as to form.

CONCLUSION:

Staff recommends the adoption of the attached Resolution No. 2018-29 establishing the Fiscal Year 2018-2019 Appropriations Limit at \$38,966,012. The adoption of the Fiscal Year 2018-2019 Appropriations Limit is made on a provisional basis and may need to be revised when the figure for growth in non-residential assessed valuation due to new construction becomes available from the County of San Bernardino.

ATTACHMENT:

Resolution No. 2018-29

RESOLUTION NO. 2018-29

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY, CALIFORNIA, ESTABLISHING THE FISCAL YEAR 2018-2019 APPROPRIATION LIMIT FOR THE TOWN OF APPLE VALLEY

WHEREAS, Article XIII B of the California Constitution and Section 7910 of the California Government Code require that each year the Town of Apple Valley shall, by resolution, establish an appropriations limit for the Town for the following fiscal year; and

WHEREAS, the Director of Finance of the Town has heretofore prepared and submitted data and documentation required for and to be used in the determination of an appropriations limit for the Town for Fiscal Year 2018-2019 and such data and documentation has been available to the public for at least fifteen (15) days prior to adoption of this Resolution; and

WHEREAS, the Town of Apple Valley established its Fiscal Year 2017-2018 Appropriation Limit of \$37,263,089 (Thirty Seven Million, Two Hundred Sixty-three Thousand, Eighty Nine Dollars); and

WHEREAS, to the best of the Town's knowledge and belief the State Department of Finance figures reflect the following statistics relevant to the calculation of the Fiscal Year 2018-2019 Appropriation Limit:

Per Capita Personal Income Change for Fiscal Year 2018-2019:	3.67%
Population Adjustment - January 1, 2018:	.87%

NOW, THEREFORE, IT IS HEREBY RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF APPLE VALLEY AS FOLLOWS:

Section 1. Based on the foregoing figures and the provisions of Article XIII B of the Constitution of the State of California, the following figure accurately represents the Fiscal Year 2018-2019 Appropriation Limit of the Town of Apple Valley to be \$38,966,012 (and said sum is hereby determined and established as the appropriation limit for the Town of Apple Valley for Fiscal Year 2018-2019).

Section 2. The Town Clerk shall certify to the passage of the Resolution.

APPROVED and **ADOPTED** by the Town Council of the Town of Apple Valley this 26th day of June 2018.

ATTEST:

Art Bishop, Mayor

La Vonda M-Pearson, Town Clerk