

CITY OF SACRAMENTO

DEPARTMENT OF FINANCE
DIVISION OF REVENUES AND COLLECTIONS
915 I STREET SACRAMENTO, CA 95814
ROOM 104 TELEPHONE (916) 449-5881

CITY MANAGER'S OFFICE
RECEIVED
MAR 11 1981

MICHAEL L. MEDEMA
REVENUES AND COLLECTIONS OFFICER

March 10, 1981

City Council
Sacramento, California

Honorable Members In Session:

SUBJECT: State Constitution Article XIII B FY 1980/1981 Appropriations Limit

SUMMARY

The governing body of each local jurisdiction is required by California Government Code, Section 7910 to formally establish, each year, its appropriations limit pursuant to State Constitution Article XIII B. City Council enactment of the recommended actions of this report initiates fulfillment of that requirement for FY 1980/1981.

BACKGROUND

The voters approved the Initiative Constitutional Amendment (Proposition 4 or the Gann Initiative) on November 6, 1979. Subsequent to approval of the Amendment, numerous actions by the Legislature have provided clarification of the meaning of the Initiative and have provided procedural guidelines for implementation of Article XIII B.

The essence of Article XIII B and the subsequent legislation is:

1. An appropriations (spending) limit was set on governmental expenditures at the State and Local levels.
2. Tax revenues not appropriated are deemed surplus and must be returned to the public.
3. The process of adoption of the appropriations limit must be formal and public.

*referred to
Bud/Fix Comm.
MAR 17 1981*

DISCUSSION

FY 1980/1981 is the first year that Article XIII B is applicable. Pursuant to Article XIII B, subsequent legislation, and the League of Cities uniform guidelines, staff has prepared the attached Exhibit II & III detailing calculation of the City of Sacramento's appropriations limit for FY 1980/1981 and Exhibit I demonstrating compliance with the limit and appropriation of all tax revenue.

Full compliance with the formal adoption procedure requires:

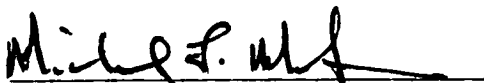
1. The City's documentation used in the determination of the appropriations limit be made available for public review for a period to exceed fifteen (15) days prior to City Council consideration of the FY 1980/1981 appropriations limit.
2. The City Council to adopt by resolution the FY 1980/1981 appropriations limit at a meeting following the public review period.

RECOMMENDATION

It is recommended that the City Council:

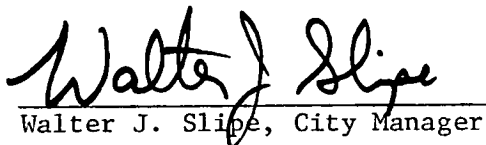
1. Refer the resolution to establish the FY 1980/1981 appropriations limit to the Budget and Finance Committee for review and consideration prior to consideration by the Council.
2. Direct the file copies of all documentation used to determine the FY 1980/1981 appropriations to be placed with the City Clerk for public inspection at least fifteen (15) days prior to Council consideration of the resolution to establish the appropriations limit for FY 1980/1981.

Respectfully submitted,



Michael L. Medema
Revenues & Collections Officer

Approved:



Walter J. Slipe, City Manager

RESOLUTION NO.

Adopted by The Sacramento City Council on date of

A RESOLUTION TO ESTABLISH THE FY 1980/1981
APPROPRIATIONS LIMIT PURSUANT TO ARTICLE
XIII B OF THE STATE CONSTITUTION AS REQUIRED
BY CALIFORNIA GOVERNMENT CODE SECTION 7910

Be it resolved by the Council of the City of Sacramento:

- 1) That the Council of the City of Sacramento hereby establishes the FY 1980/1981 appropriations limit pursuant to Article XIII B of the State Constitution as required by California Government Code, Section 7910.
- 2) That the limit determined on the attached Exhibits II and III, hereby incorporated into this resolution by reference, is the established limit for FY 1980/1981 and
- 3) That the City as shown by Exhibit I, hereby incorporated into this resolution by reference, has complied with the limit imposed on appropriations and that all proceeds of taxes were appropriated for FY 1980/1981.

MAYOR

ATTEST:

CITY CLERK

CITY OF SACRAMENTO

ARTICLE XIII B

Proceeds of Taxes and Appropriations Subject to Limit
 FY 1980/1981
 (\$ In Thousands)

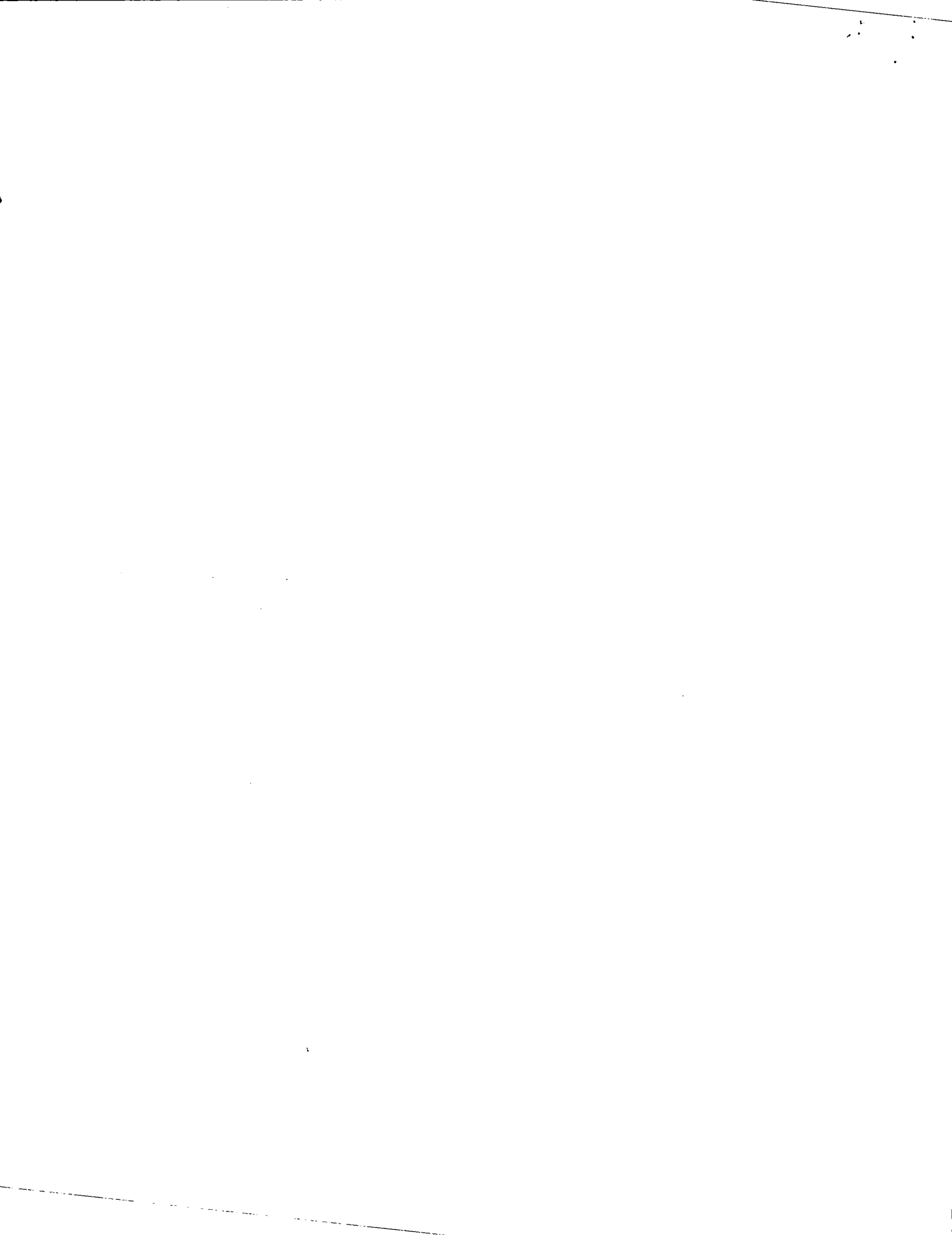
PROCEEDS OF TAXES

Total Governmental Fund Revenues	\$ 102,135
Taxes in Proprietary Funds (Enterprise):	
Transient Occupancy Tax	2,720
Admissions Tax	75
Lawn & Garden Refuse Tax	<u>2,142</u>
	107,072
Add:	
User Fees in excess of costs	-0-
Deduct:	
Non-proceeds of tax revenues	(37,864)
Debt service appropriations:	
General Obligation Bonds	(856)
Unfunded pension liability	<u>(3,746)</u>
Total Proceeds of Taxes	<u>\$ 64,606</u>

APPROPRIATIONS SUBJECT TO LIMIT

Total Governmental Funds Operating Appropriations	\$ 101,794
Proprietary Funds (Enterprise) Tax Appropriations	<u>4,937</u>
	106,731
Add:	
User Fees in excess of costs	-0-
Current FY proceeds of taxes appropriated to reserves	
General Fund	1,066
Special Revenues Funds	1,610
Appropriation of carry-over Capital Improvement Projects	
General Fund	-0-
Special Revenue Funds	21,670
Deduct:	
Non-proceeds of tax revenues	(37,864)
Debt service appropriations	
General Obligation Bonds	(856)
Unfunded pension liability	(3,746)
Previously appropriated carry-over Capital Improvement Projects	<u>(21,670)</u>
Total Appropriations Subject to Limit	<u>\$ 66,941</u>
FY 1980/1981 Appropriations Limit (Exhibit II)	<u>\$ 115,274</u>

Note: Data from Final Budget FY 1980/1981 as adopted, except revenue estimates and appropriations revised as of 12/31/80 if material change was indicated, to reflect 1981 economic forecast.



CITY OF SACRAMENTO
ARTICLE XIII B
FY 1980/1981 Appropriations Limit
(\$ In Thousands)

Base Year Appropriation Limit		\$ 89,382
Adjustments:		
Change in CPI for FY 1978/1979	X	1.1016
Change in population for FY 1978/1979	X	1.0093
Change in state per capita personal income for FY 1979/1980	X	1.1230
Change in population for FY 1979/1980	X	<u>1.0329</u>
Appropriations Limit for FY 1980/1981		115,274
Deduct:		
Transfer of financial responsibilities:		
Services transferred to other governmental agencies		-0-
Costs of services from governmental funds to proprietary funds		<u>-0-</u>
Total Appropriations Limit for FY 1980/1981		<u>\$ 115,274</u>

Note: Change in CPI or change in state per capita personal income whichever is lower must be used to adjust for increases of base year appropriations limit. Source of CPI or change in state per capita personal income data is the U.S. Department of Commerce. Source of change in population data is the California Department of Finance.

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CITY OF SACRAMENTO
ARTICLE XIII B
Base Year Appropriation Limit
FY 1978/1979

Proceeds of Taxes

Total Governmental Fund Revenues	\$ 84,038,568
Taxes in Proprietary Funds (Enterprise)	
Transient Occupancy Tax	2,111,090
Admissions Tax	90,641
Lawn and Garden Refuse Tax	<u>2,012,726</u>
	88,253,025
 Add:	
User Fees in excess of costs	-0-
 Deduct:	
Non-proceeds of tax revenues	(31,736,117)
Debt service appropriations:	
General Obligation Bonds	(913,265)
Unfunded pension liability	<u>(1,535,028)</u>
 Total Proceeds of Taxes	 <u>\$ 54,068,615</u>

Appropriations Subject to Limit

Total Governmental Funds operating appropriations	\$ 98,281,671
Appropriations of Taxes in Proprietary Funds (Enterprise)	<u>4,214,457</u>
 Total Operating Appropriations	 102,496,128
 Add:	
User Fees in excess of costs	
Appropriations to reserves:	
General Fund	7,901,661
Special Revenue	1,968,061
Appropriations of carry-over Capital Improvement Projects	
General Fund	600,346
Special Revenue	10,600,548
 Deduct:	
Non-proceeds of tax revenues	(31,736,117)
Debt service appropriations:	
General Obligation Bonds	(913,265)
Unfunded pension liability	<u>(1,535,028)</u>
 Total Appropriations Subject to Limit	 <u>\$ 89,382,334</u>

Note: All data extracted from the City's Annual Financial Report for the Fiscal Year Ended June 30, 1979.

TEXT OF GANN SPENDING-LIMITATION INITIATIVE

LIMITATION OF GOVERNMENT APPROPRIATIONS. INITIATIVE CONSTITUTIONAL AMENDMENT. Establishes and defines annual appropriation limits on state and local governmental entities based on annual appropriations for prior fiscal year. Requires adjustments for changes in cost of living, population and other specified factors. Appropriation limits may be established or temporarily changed by electorate. Requires revenues received in excess of appropriations permitted by this measure to be returned by revision of tax rates or fee schedules within two fiscal years next following year excess created. With exceptions, provides for reimbursement of local governments for new programs or higher level of services mandated by state. Financial Impact: Indeterminable.

ARTICLE XIII B.

Sec. 1. The total annual appropriations subject to limitation of the state and of each local government shall not exceed the appropriations limit of such entity of government for the prior year adjusted for changes in the cost of living and population except as otherwise provided in this Article.

Sec. 2. Revenues received by any entity of government in excess of that amount which is appropriated by such entity in compliance with this Article during the fiscal year shall be returned by a revision of tax rates or fee schedules within the next two subsequent fiscal years.

Sec. 3. The appropriations limit for any fiscal year pursuant to Sec. 1 shall be adjusted as follows:

(a) In the event that the financial responsibility of providing services is transferred, in whole or in part, whether by annexation, incorporation or otherwise, from one entity of government to another, then for the year in which such transfer becomes effective the appropriations limit of the transferee entity shall be increased by such reasonable amount as the said entities shall mutually agree and the appropriations limit of the transferor entity shall be decreased by the same amount.

(b) In the event that the financial responsibility of providing services is transferred, in whole or in part, from an entity of government to a private entity, or the financial source for the provision of services is transferred, in whole or in part, from other revenues of an entity of government, to regulatory licenses, user charges or user fees, then for the year of such transfer the appropriations limit of such entity of government shall be decreased accordingly.

(c) In the event of an emergency, the appropriation limit may be exceeded provided that the appropriation limits in the following three years are reduced accordingly to prevent an aggregate increase in appropriations resulting from the emergency.

Sec. 4. The appropriations limit imposed on any new or existing entity of government by this Article may be established or changed by the electors of such entity, subject to and in conformity with constitutional and statutory voting requirements. The duration of any such change shall be as determined by said electors, but shall in no event exceed four years from the most recent vote of said electors creating or continuing such change.

Sec. 5. Each entity of government may establish such contingency, emergency, unemployment, reserve, retirement, sinking fund, trust, or simliar funds as it shall deem reasonable and proper. Contributions to any such fund, to the extent that such contributions are derived from the proceeds of taxes, shall for purposes of this Article constitute appropriations subject to limitation in the year of contribution. Neither withdrawals from any such fund, nor expenditures of (or authorizations to expend) such withdrawals, nor transfers between or among such funds, shall for purposes of this Article constitute appropriations subject to limitation.

Sec. 6. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state shall provide a subvention of funds to reimburse such local government for the costs of such program or increased level of service, except that the Legislature may, but need not, provide such subvention of funds for the following mandates:

- (a) Legislative mandates requested by the local agency affected;
- (b) Legislation defining a new crime or changing an existing definition of a crime; or
- (c) Legislative mandates enacted prior to January 1, 1975, or executive orders or regulations initially implementing legislation enacted prior to January 1, 1975.

Sec. 7. Nothing in this Article shall be construed to impair the ability of the state or of any local government to meet its obligations with respect to existing or future bonded indebtedness.

Sec. 8. As used in this Article and except as otherwise expressly provided herein:

(a) "Appropriations subject to limitation" of the state shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for the state, exclusive of state subventions for the use and operation of local government (other than subventions made pursuant to Section 6 of this Article) and further exclusive of refunds of taxes, benefit payments from retirement, unemployment insurance and disability insurance funds;

(b) "Appropriations subject to limitation" of an entity of local government shall mean any authorization to expend during a fiscal year the proceeds of taxes levied by or for that entity and the proceeds of state subventions to that entity (other than subventions made pursuant to Section 6 of this Article) exclusive of refunds of taxes;

(c) "Proceeds of taxes" shall include, but not be restricted to, all tax revenues and the proceeds to an entity of government, from (i) regulatory licenses, user charges, and user fees to the extent that such proceeds exceed the costs reasonably borne by such entity in providing the regulation, product, or service, and (ii) the investment of tax revenues. With respect to any local government, "proceeds of taxes" shall include subventions received from the state, other than pursuant to Section 6 of this Article, and, with respect to the state, proceeds of taxes shall exclude such subventions;

(d) "Local government" shall mean any city, county, city and county, school district, special district, authority, or other political subdivision of or within the state;

(e) "Cost of living" shall mean the Consumer Price Index for the United States as reported by the United States Department of Labor, or successor agency of the United States Government; provided, however, that for purposes of Section 1, the change in cost of living from the preceding year shall in no event exceed the change in California per capita personal income from said preceding year;

(f) "Population" of any entity of government, other than a school district, shall be determined by a method prescribed by the Legislature, provided that such determination shall be revised, as necessary, to reflect the periodic census conducted by the United States Department of Commerce, or successor agency of the United States Government. The population of any school district shall be such school district's average daily attendance as determined by a method prescribed by the Legislature;

(g) "Debt service" shall mean appropriations required to pay the cost of interest and redemption charges, including the funding of any reserve or sinking fund required in connection therewith, on indebtedness existing or legally authorized as of January 1, 1979 or on bonded indebtedness thereafter approved according to law by a vote of the electors of the issuing entity voting in an election for such purpose.

(h) The "appropriations limit" of each entity of government for each fiscal year shall be that amount which total annual appropriations subject to limitation may not exceed under Section 1 and Section 3; provided, however, that the "appropriations limit" of each entity of government for fiscal year 1978-79 shall be the total of the appropriations subject to limitation of such entity for that fiscal year. For fiscal year 1978-79, state subventions to local governments, exclusive of federal grants, shall be deemed to have been derived from the proceeds of state taxes.

(i) Except as otherwise provided in Section 5, "appropriations subject to limitation" shall not include local agency loan funds or indebtedness funds, investment (or authorizations to invest) funds of the state, or of an entity of local government in accounts at banks or savings and loan associations or in liquid securities.

Sec. 9. "Appropriations subject to limitation" for each entity of government shall not include:

(a) Debt service.

(b) Appropriations required for purposes of complying with mandates of the courts or the federal government which, without discretion, require an expenditure for additional services or which unavoidably make the providing of existing services more costly.

(c) Appropriations of any special district which existed on January 1, 1978, and which did not as of the 1977-78 fiscal year levy an ad valorem tax on property in excess of 12½ cents per \$100 of assessed value; or the appropriations of any special district then existing or thereafter created by a vote of the people, which is totally funded by other than the proceeds of taxes.

Sec. 10. This Article shall be effective commencing with the first day of the fiscal year following its adoption.

Sec. 11. If any appropriation category shall be added to or removed from appropriations subject to limitation, pursuant to final judgment of any court of competent jurisdiction and any appeal therefrom, the appropriations limit shall be adjusted accordingly. If any section, part, clause or phrase in this Article is for any reason held invalid or unconstitutional, the remaining portions of this Article shall not be affected but shall remain in full force and effect.



CITY OF SACRAMENTO

OFFICE OF THE CITY CLERK
915 I STREET
CITY HALL ROOM 203

SACRAMENTO, CALIFORNIA 95814
TELEPHONE (916) 449-5426

LORRAINE MAGANA
CITY CLERK

MEMORANDUM

TO: BUDGET AND FINANCE COMMITTEE

FROM: LORRAINE MAGANA, CITY CLERK *LM*

SUBJECT: REFERRAL TO ITEM NO. 38, AGENDA OF MARCH 17, 1981

DATE: MARCH 17, 1981

Pursuant to Council action, the following subject matter is referred to your committee for hearing, report and recommendation:

Resolution to establish FY 80-81 appropriations limit pursuant to State Constitution Art. XIII B.

LM:sj
cc: Michael Medema
Councilperson Connelly, Chr.
" Hoeber
" Pope
" Thompson