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OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

CITY HALL
ROOM 109
915 I STREET
SACRAMENTO, CA
95814-2684

February 13, 1987
BA87025:BW:KMF

916-449-5704

Budget and Finance Committee
Sacramento, California

Honorable Members in Session:

SUBJECT: Calculation of Article XIII B of the State Constitution
(Proposition 4) Appropriation Limit

SUMMARY

The City of Sacramento's calculation of State Constitution Article XIII B (Prop 4) Appropriation Limit needs to be revised to include Federal Revenue Sharing as proceeds of taxes. This will increase the gap between the City's appropriation level and the appropriation limit by \$11.7 million dollars. (Please see the attached report to the City Council.)

RECOMMENDATION

It is recommended that the Budget and Finance Committee approve the attached report and recommend the adoption of the attached resolution revising the 1978-79 base year calculation of the Article XIII B appropriation limit and all subsequent calculations of the limit to include Federal Revenue Sharing as proceeds of taxes.

Respectfully submitted,

BRAD WASSON
Management Analyst

Attachments

APPROVED FOR COMMITTEE ACTION:

JACK R. CRIST
Deputy City Manager

All Districts
February 24, 1987



OFFICE OF THE
CITY MANAGER

CITY OF SACRAMENTO
CALIFORNIA

February 10, 1987
BA:87023:EW:KMF

CITY HALL
ROOM 109
915 I STREET
SACRAMENTO, CA
95814-2684

916-449-5704

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Calculation of Article XIII B of the State Constitution
(Proposition 4) Appropriation Limit

SUMMARY

The City of Sacramento's calculation of State Constitution Article XIII B (Prop. 4) Appropriation Limit needs to be revised to include Federal Revenue Sharing as proceeds of taxes. This will increase the gap between the City's appropriated level and limit by \$11.7 million dollars. This item was heard by the Budget and Finance Committee on February 24, 1987.

BACKGROUND

The voters approved Proposition 4 as a Constitutional Amendment on November 6, 1979. This amendment required local governments to establish an appropriations limit for expenditures and revenues. The limit applies to revenues and expenditures associated with tax proceeds. The appropriation limit uses fiscal year 1978-79 as a base year with yearly adjustments for the change in Consumer Price Index or the change in State per capita personal income, whichever is lower, and the change in population.

DISCUSSION

The City of Sacramento has complied with Article XIII B of the Constitution of the State of California by calculating an appropriation limit. The FY 1986-87 limit calculation was adopted as Schedule 8 in the FY 1986-87 Approved Budget (see Exhibit II). As did many other cities, Sacramento has calculated the limit following the League of California Cities guidelines. An exception to this was that we chose not to classify Federal Revenue Sharing as proceeds of taxes to the City. However, it has been brought to our attention that many cities reasoned revenue sharing funds should be treated as a tax proceed since the funds were raised as taxes (federal income) and not included in any other limit calculation. The following schedule indicates the impact of treating revenue sharing as

tax proceeds vs non-tax proceeds:

IMPACT OF RECLACULATING PROPOSITION 4
(\$ IN 000)

<u>FISCAL YEAR</u>	<u>CURRENT APPROPRIATION LIMIT</u>	<u>REVISED APPROPRIATION LIMIT</u>	<u>DIFFERENCE</u>
1978-79 (Base Year)	\$ 89,382	\$ 93,999	\$ 4,617
1979-80 (not applicable)	—	—	—
1980-81	115,274	121,229	5,955
1981-82	128,391	135,023	6,632
1982-83	138,398	147,623	9,225
1983-84	145,957	155,685	9,728
1984-85	156,682	167,141	10,459
1985-86	165,435	176,748	11,313
1986-87	175,925	187,669	11,744

When including Revenue Sharing as proceeds of taxes the City actually increases the gap between the appropriations subject to the limit and the limit by \$11.7 million.

RECOMMENDATIONS

It is recommended that the City Council adopt the attached resolution revising the 1978-79 base year calculation of the Article XIIIIB appropriation limit and all subsequent calculations of the limit to include Federal Revenue Sharing as proceeds of taxes.

Respectfully submitted,



BRAD WASSON
Management Analyst

Attachments

APPROVED FOR COUNCIL ACTION:

WALTER J. SLIPE
City Manager

All Districts

RESOLUTION NO.

ADOPTED BY THE SACRAMENTO CITY COUNCIL ON DATE OF

**A RESOLUTION TO REVISE THE 1978-79 BASE YEAR CALCULATION AND
THE FY 1986-87 APPROPRIATIONS LIMIT PURSUANT TO
ARTICLE XIIIIB OF THE STATE CONSTITUTION**

BE IT RESOLVED BY THE COUNCIL OF THE CITY OF SACRAMENTO:

1. That the Council of the City of Sacramento hereby revise the FY 1978-79 established base calculation of appropriations limits pursuant to Article XIIIIB of the State Constitution as required by California Government Code, Section 7910.
2. That the revised calculation shall include Federal Revenue Sharing Funds as proceeds of taxes as per the attached Exhibit I.
3. That the City of Sacramento's FY 1986-87 appropriation level hereby be revised to include Federal Revenue Sharing Funds as proceeds of taxes as per the attached Exhibit I.

ARTICLE XIII B APPROPRIATION LIMIT CALCULATION
REVISION TO INCLUDE REVENUE SHARING IN THE APPROPRIATION LIMIT

	BASE YEAR 1978-79	1979-80	1ST YEAR 1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	ESTIMATE 1986-87
PRIOR YEAR APPROPRIATION (IN 000'S) LIMIT MULTIPLY BY:		93,999		121,229	135,023	147,623	155,685	167,141	176,478
CHANGE IN CPI OR PERSONAL INCOME		1.1016	1.1230	1.0912	1.0679	1.0235	1.0475	1.0374	1.0230
CHANGE IN POPULATION		1.0093	1.0329	1.0207	1.0238	1.0304	1.0249	1.0178	1.0395
DEDUCT - TRANSFERS FROM TAXES TO FEES			0	0 (231)		0	0	0	0
REVISED APPROPRIATION LIMIT	93,999,456		121,229	135,023	147,623	155,685	167,141	176,478	187,669
TOTAL PROCEEDS OF TAXES	\$54,068,615		\$64,606	\$69,514	\$61,707	\$76,704	\$92,059	\$100,696	\$115,525
ADD REVENUE SHARING	4,617,122		5,666	5,979	5,733	5,204	4,962	5,334	24
REVISED PROCEEDS OF TAXES	58,685,737		70,272	75,493	67,440	81,908	97,021	106,030	115,549
TOTAL APPROPRIATIONS SUBJECT TO LIMIT	89,382,334		66,941	71,510	70,955	79,259	94,998	115,841	131,347
ADD REVENUE SHARING	4,617,122		5,666	5,979	5,733	5,304	4,962	5,334	24
REVISED APPROPRIATION LEVEL	93,999,456		72,607	77,489	76,688	84,563	99,960	121,175	131,371

EXHIBIT I

SCHEDULE 8

ARTICLE XIII B APPROPRIATION LIMIT CALCULATION
(\$ IN 000)

	1982-83 ACTUAL	1983-84 ACTUAL	1984-85 ACTUAL	1985-86 ACTUAL	1986-87 ESTIMATE
APPROPRIATION LIMIT					
Prior year limit	\$126,797	\$138,398	\$145,957	\$156,682	\$165,435
Multiply by:					
Change in CPI or pers income	1.0679	1.0235	1.0474	1.0374	1.0230
Change in Population	1.0238	1.0304	1.0249	1.0178	1.0395
Deduct:					
Transfers from tax to fee supported service	(231)	0	0	0	0
Appropriation Limit	138,398	145,957	156,682	165,435	175,925
PROCEEDS OF TAXES					
Total governmental revenue	92,341	109,011	132,768	148,241	153,211
Add taxes in enterprise funds:					
Transient Occupancy Tax	3,300	3,172	3,650	3,905	4,480
Lawn & Garden Tax	2,243	2,303	2,350	2,413	2,478
Add user fees in excess of cost:	975	1,629	500	0	0
Deduct:					
Non-proceeds of tax revenue	(30,915)	(32,208)	(38,936)	(45,699)	(36,353)
General obligation debt svcs	(854)	(855)	(851)	(845)	(843)
Unfunded pension liability	(5,383)	(6,348)	(7,422)	(7,319)	(7,448)
Proceeds Of Taxes	61,707	76,704	92,059	100,696	115,525
APPROPRIATIONS SUBJECT TO LIMIT					
Total Governmental Funds:					
Operating appropriations	93,400	97,044	118,944	133,222	148,713
CIP appropriations	11,270	21,053	30,094	26,717	16,816
Add:					
Enterprise fund tax approp.	5,543	5,475	6,000	6,318	6,958
User fees in excess of cost	975	1,629	500	0	0
Current proceeds of taxes appropriated to reserves	0	5,146	3,376	3,447	3,504
Deduct:					
Non-proceeds of tax revenue	(30,915)	(32,208)	(38,936)	(45,699)	(36,353)
General obligation debt svcs	(854)	(855)	(851)	(845)	(843)
Unfunded pension liability	(5,383)	(6,348)	(7,422)	(7,319)	(7,448)
Carryover CIP appropriations	(3,081)	(11,677)	(16,707)	-	-
	70,955	79,259	94,998	115,841	131,347