



CITY COUNCIL AGENDA REPORT

MEETING DATE: June 21, 2004

ITEM NUMBER:

SUBJECT: ADOPTION OF FISCAL YEAR 2004-2005 APPROPRIATIONS LIMIT

DATE: June 1, 2004

FROM: FINANCE DEPARTMENT /FINANCIAL PLANNING DIVISION

PRESENTATION BY: MARC R. PUCKETT, DIRECTOR OF FINANCE

FOR FURTHER INFORMATION CONTACT: AGNES WALKER AT (714) 754-5241

RECOMMENDED ACTION

Adopt Resolution establishing the Fiscal Year 2004-2005 Appropriations Limit for the City of Costa Mesa at \$132,103,689, by using the City of Costa Mesa's population growth for population adjustment and the California per capita income growth for inflationary adjustment.

BACKGROUND

Since the addition of Article XIII-B to the Constitution of the State of California in November 1979, the City has been required to establish annually an Appropriations Limit. In June 1990, Article XIII-B and its implementing legislation Chapter 1205/80, were modified by Proposition 111 and Senate Bill 88. The modifications changed the annual adjustment factors for determining the Appropriations Limit. Beginning with the calculation of the Fiscal Year 1990-1991 Appropriations Limit, the City may choose one of the following factors to use for inflationary adjustment:

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

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

ANALYSIS

The methodology used to determine the City's Appropriations Limit is to multiply the inflation and population adjustment factors by the prior year's Appropriations Limit. For Fiscal Year 2004-2005, the inflation and population figures provided by the State Department of Finance are as follows:

California Per Capita Income Percentage Change	3.28%
City of Costa Mesa Population Growth	1.44%

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. By applying the 3.28% inflationary factor and the 1.44% population factor to the Fiscal Year 2003-2004

adopted Appropriations Limit of \$126,092,564, the Fiscal Year 2004-2005 Appropriations Limit is calculated to be \$132,103,689.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2004-2005 is \$61,696,790. This is \$70,406,899, or 53.3% below the Appropriations Limit for Fiscal Year 2004-2005.

ALTERNATIVES CONSIDERED

There are no alternatives available. Section 7910 of the Government Code of the State of California requires an annual Appropriations Limit to be established by the City.

FISCAL REVIEW

There is no fiscal impact as the City is \$70,406,899 or 53.3% below the Fiscal Year 2004-2005 Appropriations Limit.

LEGAL REVIEW

The City Attorney has reviewed and approved the attached Resolution as to form.

CONCLUSION

Staff recommends that the City adopt the Resolution determining the Fiscal Year 2004-2005 Appropriations Limit to be at \$132,103,689. The adoption of the Fiscal Year 2004-2005 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 Orange.

AGNES T. WALKER
Budget & Research Officer

MARC R. PUCKETT
Director of Finance

Attachments: [Resolution – Fiscal Year 2004-2005 Appropriations Limit](#)
[Exhibit A – Calculation of the Appropriations Limit](#)