



Staff Report

File #: REPORT 19-0305, Version: 1

Honorable Mayor and Members of the Hermosa Beach City Council Regular Meeting of June 11, 2019

ADOPTION OF THE 2019-20 APPROPRIATIONS LIMIT

(Finance Director Viki Copeland)

Recommended Action:

Staff recommends that the City Council adopt Resolution 19-xxxx setting \$41,849,570 as the Fiscal Year 2019-20 Appropriations Limit.

Background:

On November of 1979, Article XIII B of the California State Constitution was added by the voters through Proposition 4. This Article established limits, using a formula, on state and local governments for appropriation of revenue from tax proceeds.

On June 5, 1990, Proposition 111 modified the method of calculating the limit, beginning with Fiscal Year 1990-91, to allow the City to choose the most beneficial of two adjustment factors for inflation and population as follows:

| | |
|------------|---|
| Inflation | California Per Capita Personal Income Change or Increase in Non-Residential Assessed Valuation Due to New Construction. |
| Population | City Population Growth or County Population Growth. |

Proposition 111 also implemented a requirement that the City's Appropriation Limit be reviewed annually by an independent auditor.

Analysis:

The law requires adoption of the 2019-20 limit by resolution and a recorded vote of the Council to select annual adjustment factors. The annual adjustment factors are set forth in the attached resolution, based on the Uniform Guidelines published by the League of California Cities in March 1991 to determine the limit and appropriations subject to the limit. The 2019-20 Appropriations Limit was calculated, per the League of California Cities Uniform Guidelines, by applying the population

and inflation factors to the prior year limit. The City's population change of .17% was used as the population growth factor since it is greater than the population increase of -.01% for the County of Los Angeles. The California Per Capita Personal Income Change of 3.85% was used, as the increase in Non-Residential Assessed Valuation Due to New Construction is .33%. The factor with the largest change is always chosen to give the City maximum discretion with regard to appropriations. The appropriations limit for the City of Hermosa Beach for Fiscal Year 2019-2020 is \$41,849,570.

The limit calculation will be reviewed by the City's auditors during the annual financial audit.

General Plan Consistency:

PLAN Hermosa, the City's long-range planning document, was adopted by the City Council in August 2017, and envisions a future where "Hermosa Beach is the small town others aspire to be; a place where our beach culture, strong sense of community, and commitment to sustainability intersect." One of the guiding principles to achieve the vision is to make decisions and take actions that help contribute to the City's economic and fiscal stability.

Fiscal Impact:

The City is significantly under the 2019-20 Appropriations Limit; therefore, the adoption of the limit has no fiscal impact.

Attachments:

1. Resolution Adopting 2019-20 Appropriations Limit
2. 2019-20 Calculation of Appropriations Limit

Respectfully Submitted by: Viki Copeland, Finance Director

Approved: Suja Lowenthal, City Manager