

**TOWN OF FAIRFAX
STAFF REPORT**

To: Mayor, Members of the Town Council

From: Michael Rock, Town Manager 
Michael Vivrette, Finance Director

Date: April 4, 2012

Subject: Adoption of Resolutions Making Certain Findings and Determinations in Compliance with Section XIIB of the California Constitution (Gann Initiative) and Setting the Appropriation Limit for Fiscal Years 2010/11 and 2011/12

RECOMMENDATION

Staff recommends that Council adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Years 2011 and 2012. The City's Fiscal Year 2012 appropriations are estimated to be \$623,000 under the limit, based on the Fiscal Year 2012 Adopted Budget.

DISCUSSION

Article XIIB of the State Constitution (Proposition 4) passed in 1979 and Proposition 111 (The Gann Initiative) passed in 1990, limit the annual appropriations for State and local governments. The appropriation limit is adjusted annually on the basis of population and per capita income "change factors." These factors are reported to the Town annually by the State Department of Finance and reflect changes for the previous calendar year.

The appropriation limit imposed by proposition 4 and 111 creates a restriction on the amount of revenue that can be appropriated, that is, budgeted to be spent, in any fiscal year. This limit uses a base year of 1978-79 and adjusted each year by the "change factors". Based on Article XIIB, the Town of Fairfax can use the larger of two measurements of population growth, (county or city population growth) in the Limit calculation. For Fiscal Years 2011 and 2012, the Town is using the Marin County population factor, which is greater than the population factor for the Town.

Not all revenues are restricted by the limit, only those which are referred to as the "proceeds of taxes". In addition, the proceeds of taxes are allowed to be spent on several types of appropriations which do not count against the limit, such as expenditures of tax proceeds on voter-approved debt and certain "qualified capital outlays".

In the audit of Fiscal Year 2009/10, it was noted that the appropriation limit calculation used an erroneous factor for the population adjustment. This necessitates the recalculation of the appropriations limit for that period although the adjustment does not require a separate resolution. Also, because of department personnel turnover and other factors, the Appropriations Limit was not formally adopted when the budget was adopted for the fiscal years 2011 or 2012. While this does not present a fiscal impact on the Town, as it has historically always been under its limit, it is important that the Council adopt a limit for each year.

As required by State law, documentation used to compute the Limit has been made available to the public at least fifteen days prior to the Council meeting at which the Limit is being adopted, and notice has been published of the availability of these materials.

AGENDA ITEM # 7

Attached is the Appropriation Limit calculation, based on the "change factors" received from the State. The Appropriation Limit for Fiscal Year 2011 is \$4,664,034. Based on the adopted budget for FY 2011 the Town is under its limit by \$443,714. The Appropriation Limit for Fiscal Year 2012 is \$4,824,120. Based on the adopted budget for FY 2012 the Town is under its limit by \$622,997.

RESOURCE IMPACT

The adoption of the Fiscal Year 2011 and 2012 Limit has no impact on City resources.

ATTACHMENTS

Resolutions

Calculation of Appropriation Limit

Calculation of Proceeds of Taxes

Department of Finance Memo May 2010

Department of Finance Memo May 2011

RESOLUTION NO. 12-17

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX MAKING CERTAIN FINDINGS AND DETERMINATIONS IN COMPLIANCE WITH SECTION XIII B OF THE CALIFORNIA CONSTITUTION (GANN INITIATIVE) AND SETTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2010-11

BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FAIRFAX, that in compliance with Section XIII B of the Constitution of California, the following is hereby found and determined:

1. That the adjusted appropriation limit for the fiscal year 2009-10 was \$4,741,426.
2. That during the calendar year 2010 the population in Marin County increased by .9314% and the per capita personal income in California decreased by -2.54% resulting in an appropriations limit adjustment factor of .9837%.
3. That the appropriation limit for the Town of Fairfax for fiscal year 2010-11 is \$ 4,664,034.
4. That the Town is under the appropriation limit for 2010-11 by \$ 443,714.

The foregoing Resolution was duly passed and adopted at a regular meeting of the Town Council of the Town of Fairfax held in said Town on the 4th of April, 2012, by the following vote, to wit:

AYES:

NOES:

ABSENT:

PAM HARTWELL-HERRERO, MAYOR

Attest:

TOWN CLERK

RESOLUTION NO. 12-18

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX MAKING CERTAIN FINDINGS AND DETERMINATIONS IN COMPLIANCE WITH SECTION XIII B OF THE CALIFORNIA CONSTITUTION (GANN INITIATIVE) AND SETTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2011-12

BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF FAIRFAX, that in compliance with Section XIII B of the Constitution of California, the following is hereby found and determined:

1. That the appropriation limit for the fiscal year 2010-11 was \$4,664,034.
2. That during the calendar year 2011 the population in Marin County increased by .8998% and the per capita personal income in California increased by 2.51% resulting in an appropriations limit adjustment factor of 1.0343%.
3. That the appropriation limit for the Town of Fairfax for fiscal year 2011-12 is \$ 4,824,120.
4. That the Town is under the appropriation limit for 2011-12 by \$ 622,997.

The foregoing Resolution was duly passed and adopted at a regular meeting of the Town Council of the Town of Fairfax held in said Town on the 4th of April, 2012, by the following vote, to wit:

AYES:

NOES:

ABSENT:

PAM HARTWELL-HERRERO, MAYOR

Attest:

TOWN CLERK