



staff report

TO: Honorable Mayor and Members of the City Council

ATTENTION: Jeffrey L. Stewart, City Manager

FROM: Tae G. Rhee, Finance Director/Treasurer

SUBJECT: Consideration and possible action to adopt Resolution No. 16-XX – A Resolution adopting the annual appropriations limit for fiscal year 2016-2017.

DATE: June 13, 2016

EXECUTIVE SUMMARY

In accordance with Article XIII B of the California Constitution, the appropriations limit (also referred to as the "Gann limit") for fiscal year 2016-2017 has been calculated by applying inflation and population factors provided by the State Department of Finance and the City's property tax consultant, HdL Coren & Cone.

RECOMMENDATION TO THE CITY COUNCIL:

- 1) Adopt Resolution No. 16-XX; or
- 2) Alternatively, discuss and take other action related to this item.

FISCAL IMPACT

None

BACKGROUND

On November 6, 1979, California voters approved the Gann Spending Limitation Initiative (Proposition 4) establishing Article XIII B of the State Constitution. Subsequently, on June 5, 1990, California voters approved the Traffic Congestion Relief and Spending Limitation Act (Proposition 111), which made various amendments to Article XIII B of the State Constitution. Article XIII B sets limits on the amount of tax revenues that the State and most local governments can appropriate within a given fiscal year.

INFLATION FACTOR (selected <u>higher</u> of the following):			
Change in the California per capita personal income	5.37%	State Department of Finance	Selected for calculation
Growth in the nonresidential assessed valuation due to new construction within the City	2.19%	HdL Coren & Cone	
POPULATION FACTOR (selected <u>higher</u> of the following):			
City of Bellflower	-2.23% (population as of 1/1/16 of 76,363 vs. 1/1/15 of 78,106)	State Department of Finance	
Los Angeles County	1.04% (population as of 1/1/16 of 10,231,861 vs. 1/1/15 of 10,126,867)	State Department of Finance	Selected for calculation

The appropriations limit for fiscal year 2016-2017 is \$70,427,585, an increase of \$4,277,184 from the preceding fiscal year (Exhibit A). This new limit has been calculated by adjusting the fiscal year 2015-2016 appropriations limit for the changes in the California per capita personal income and Los Angeles County population. Based on the Operating Budget, the appropriations that are subject to this limit total \$21,950,230 (Exhibit B). Due to the fact that the annual appropriations limit is greater than the appropriations that are subject to the limit, the City is in compliance with the provisions of Article XIII B of the California Constitution. The City's calculation of the annual appropriations limit must also be reviewed by the auditors as part of the standard annual financial audit.

ATTACHMENTS

Resolution No. 16-XX..... 3
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 Exhibit B, Appropriations Subject to the Annual Limit..... 6
 State Department of Finance Letter, Dated May 2016 7
 HdL's Nonresidential New Construction Factor..... 12

CITY OF BELLFLOWER

RESOLUTION NO. 16-XX

**A RESOLUTION ADOPTING THE ANNUAL APPROPRIATIONS
LIMIT FOR FISCAL YEAR 2016-2017**

THE CITY COUNCIL RESOLVES AS FOLLOWS:

SECTION 1. The City Council finds and declares as follows:

- A. The City Council may choose the method of calculating adjustments to the City's Appropriations Limit on an annual basis pursuant to Article XIII B of the California Constitution. For inflation, pursuant to Article XIII B, § 8(e)(2), adjustments to the Appropriations Limit may be calculated using either the percentage change in per capita personal income from the preceding year or the percentage change in the local assessment roll from the preceding year because of local nonresidential new construction. For population growth, pursuant to Government Code § 7901(b), the City may either use the percentage growth either in its jurisdiction or from the surrounding county;
- B. Pursuant to Article XIII B of the California Constitution, and those Government Code sections adopted pursuant to Article XIII B, § 8(f), the City Council chooses to adjust the City's Appropriations Limit by calculating inflation using the California per capita personal income growth and calculating population growth by using the percentage change in population in Los Angeles County;
- C. The information necessary for making these adjustments is illustrated in attached Exhibits A and B, which are incorporated by reference; and
- D. The City of Bellflower has complied with all the provisions of the amended Article XIII B in determining the appropriations limit for fiscal year 2016-2017.

SECTION 2. The appropriations limit for fiscal year 2016-2017 for the City of Bellflower is established at \$70,427,585.

SECTION 3. The appropriations subject to the annual limit as contained in the Operating Budget for fiscal year 2016-2017 are \$21,950,230.

SECTION 4. This Resolution does not affect any penalty, forfeiture, or liability incurred before, or preclude prosecution and imposition of penalties for any violation occurring before, this Resolution's effective date. Any such amended part will remain in full force and effect for sustaining action or prosecuting violations occurring before the effective date of this Resolution.

SECTION 5. If any part of this Resolution or its application is deemed invalid by a court of competent jurisdiction, the City Council intends that such invalidity will not affect the effectiveness of the remaining provisions or applications and, to this end, the provisions of this Resolution are severable.

SECTION 6. The Mayor, or presiding officer, is authorized to affix a signature to this Resolution signifying its adoption by the City Council of the City of Bellflower and the City Clerk, or her duly appointed deputy, is directed to attest thereto.

SECTION 7. This Resolution will become effective immediately upon adoption.

PASSED, APPROVED, AND ADOPTED BY THE CITY COUNCIL OF THE CITY OF BELLFLOWER ON THIS _____ DAY OF _____ 2016.

Dan Koops, Mayor

ATTEST:

Mayra Ochiqui, City Clerk

APPROVED AS TO FORM:

Karl H. Berger, City Attorney

Attachments: Exhibits A & B

**EXHIBIT A
(Resolution No. 16-XX)**

CITY OF BELLFLOWER

**ANNUAL APPROPRIATIONS LIMIT CALCULATION
FOR FISCAL YEAR 2016-2017**

Appropriations limit for fiscal year 2015-2016: \$ 66,150,401

Adjustment factors for fiscal year 2016-2017:

Inflation Factor (Note 1)	Population Factor (Note 2)	Combined Factor		
1.0537	1.0104	1.06465848	x	<u>0.06465848</u>

Adjustment for inflation and population 4,277,184

Appropriations limit for fiscal year 2016-2017: \$ 70,427,585

Notes:

1. INFLATION FACTOR:

The City may adjust its appropriations limit by either the annual percentage change in per capita personal income provided by the State Department of Finance, or the percentage change in local assessment roll from the preceding year due to the addition of local nonresidential construction. The above factor represents the annual percentage change in per capita personal income provided by the State Department of Finance.

2. POPULATION FACTOR:

The City may adjust its appropriations limit by either the percentage change in the City's own population growth, or the percentage change in the population growth for Los Angeles County. The above factor represents the annual percentage change in population for Los Angeles County.

EXHIBIT B
(Resolution No. 16-XX)

CITY OF BELLFLOWER

**APPROPRIATIONS SUBJECT TO THE ANNUAL LIMIT
FOR FISCAL YEAR 2016-2017**

A. PROCEEDS OF TAXES

Property tax	\$ 3,100,000
Property tax in lieu of vehicle license fees	7,315,000
Utility users tax	5,530,000
Sales tax	5,600,000
Real property transfer tax	144,000
Transient occupancy tax	676,000
Business license tax	703,000
Motor vehicle license fees	<u>32,000</u>

TOTAL PROCEEDS OF TAXES \$ 23,100,000

B. EXCLUSIONS:

Qualified Capital Outlay	(550,000)
Annual Debt Service	<u>(700,020)</u>
TOTAL EXCLUSIONS	<u>(1,250,020)</u>

C. NET INVESTED PROCEEDS OF TAXES 21,849,980

D. INTEREST ALLOCATION 100,250

E. APPROPRIATIONS SUBJECT TO THE LIMIT \$ 21,950,230

F. APPROPRIATIONS LIMIT FOR 2016-2017 (Exhibit A) \$ 70,427,585

G. DIFFERENCE (ITEM F MINUS ITEM E) \$ 48,477,355

CONCLUSION:

The City is in compliance with the provisions of Article XIII B of the California Constitution as the Annual Appropriations Limit (Item F) is greater than the Appropriations Subject to the Limit (Item E).



May 2016

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, requires the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2016, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2016-17. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2016-17 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. The Revenue and Taxation Code, section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2016.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

MICHAEL COHEN
Director
By:

AMY COSTA
Chief Deputy Director

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2016-17 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2016-17	5.37

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2016-17 appropriation limit.

2016-17:

Per Capita Cost of Living Change = 5.37 percent
Population Change = 0.90 percent

Per Capita Cost of Living converted to a ratio: $\frac{5.37 + 100}{100} = 1.0537$

Population converted to a ratio: $\frac{0.90 + 100}{100} = 1.0090$

Calculation of factor for FY 2016-17: $1.0537 \times 1.0090 = 1.0632$

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016

County City	Percent Change	--- Population Minus Exclusions ---		Total
	2015-2016	1-1-15	1-1-16	1-1-2016
Los Angeles				
Agoura Hills	0.68	21,068	21,211	21,211
Alhambra	0.91	85,999	86,782	86,782
Arcadia	0.88	56,550	57,050	57,050
Artesia	0.42	16,726	16,797	16,883
Avalon	0.16	3,672	3,678	3,678
Azusa	1.07	48,962	49,485	49,485
Baldwin Park	0.27	74,534	74,738	74,738
Bell	0.42	36,562	36,716	36,716
Bellflower	0.27	76,154	76,363	76,363
Bell Gardens	0.45	42,759	42,952	42,952
Beverly Hills	0.44	34,610	34,763	34,763
Bradbury	1.26	1,109	1,123	1,123
Burbank	0.28	104,815	105,110	105,110
Calabasas	0.41	24,164	24,263	24,263
Carson	0.54	93,489	93,993	93,993
Cerritos	0.42	49,205	49,412	49,412
Claremont	0.54	36,022	36,218	36,218
Commerce	0.52	13,059	13,127	13,127
Compton	0.54	100,685	101,226	101,226
Covina	0.43	49,078	49,291	49,291
Cudahy	0.46	24,490	24,602	24,602
Culver City	0.60	40,207	40,448	40,448
Diamond Bar	1.26	56,371	57,081	57,081
Downey	0.43	113,691	114,181	114,181
Duarte	0.99	21,960	22,177	22,177
El Monte	0.80	112,977	113,885	113,885
El Segundo	0.30	16,596	16,646	16,646
Gardena	0.73	60,346	60,785	60,785
Glendale	1.03	199,620	201,668	201,668
Glendora	0.58	52,060	52,362	52,362
Hawaiian Gardens	0.59	14,838	14,926	14,926
Hawthorne	0.56	87,517	88,003	88,003
Hermosa Beach	0.15	19,771	19,801	19,801
Hidden Hills	0.65	1,860	1,872	1,872
Huntington Park	0.38	59,493	59,718	59,718
Industry	0.23	440	441	441
Inglewood	0.59	115,966	116,648	116,648
Irwindale	-1.67	1,439	1,415	1,415

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016

County City	Percent Change	--- Population Minus Exclusions ---		Total Population
	2015-2016	1-1-15	1-1-16	1-1-2016
La Canada Flintridge	0.45	20,464	20,556	20,556
La Habra Heights	0.61	5,426	5,459	5,459
Lakewood	0.36	78,187	78,471	78,471
La Mirada	0.38	49,452	49,639	49,639
Lancaster	0.43	151,695	152,349	157,094
La Puente	0.37	40,373	40,521	40,521
La Verne	0.52	33,027	33,200	33,200
Lawndale	0.39	33,365	33,496	33,496
Lomita	0.29	20,232	20,290	20,290
Long Beach	0.66	481,719	484,879	484,958
Los Angeles	1.27	3,977,541	4,028,043	4,030,904
Lynwood	0.20	72,358	72,505	72,505
Malibu	0.50	12,643	12,706	12,706
Manhattan Beach	0.36	35,172	35,297	35,297
Maywood	0.44	28,094	28,219	28,219
Monrovia	0.74	37,254	37,531	37,531
Montebello	0.48	63,620	63,924	63,924
Monterey Park	0.34	61,137	61,346	61,346
Norwalk	0.27	104,278	104,562	105,292
Palmdale	0.60	159,112	160,072	160,072
Palos Verdes Estates	0.42	13,655	13,712	13,712
Paramount	0.46	56,143	56,400	56,400
Pasadena	0.89	139,781	141,023	141,023
Pico Rivera	0.39	64,020	64,272	64,272
Pomona	0.58	154,712	155,604	155,604
Rancho Palos Verdes	0.46	42,825	43,024	43,041
Redondo Beach	0.57	69,101	69,494	69,494
Rolling Hills	0.52	1,933	1,943	1,943
Rolling Hills Estates	0.27	8,006	8,028	8,028
Rosemead	0.44	54,987	55,231	55,231
San Dimas	0.32	34,035	34,144	34,144
San Fernando	0.53	24,404	24,533	24,533
San Gabriel	0.51	40,219	40,424	40,424
San Marino	0.34	13,520	13,566	13,566
Santa Clarita	1.72	215,890	219,611	219,611
Santa Fe Springs	3.29	17,827	18,414	18,459
Santa Monica	0.59	93,093	93,640	93,640
Sierra Madre	0.34	10,976	11,013	11,013
Signal Hill	0.42	11,624	11,673	11,673
South El Monte	1.01	20,605	20,814	20,814

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2015-2016	1-1-15	1-1-16	1-1-2016
South Gate	1.43	98,176	99,578	99,578
South Pasadena	0.38	25,929	26,028	26,028
Temple City	0.89	36,210	36,534	36,534
Torrance	0.41	146,570	147,175	147,175
Vernon	72.13	122	210	210
Walnut	0.52	29,996	30,152	30,152
West Covina	0.74	107,081	107,873	107,873
West Hollywood	0.38	35,788	35,923	35,923
Westlake Village	0.40	8,351	8,384	8,384
Whittier	0.47	87,924	88,341	88,341
Unincorporated	0.28	1,048,161	1,051,078	1,051,989
County Total	0.85	10,145,677	10,231,861	10,241,335

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.



THE CITY OF BELLFLOWER NONRESIDENTIAL NEW CONSTRUCTION

2014/15 TO 2015/16 TAX YEARS - IN PARCEL NUMBER ORDER

Parcel	Use Category	Owner	Prior Year Improvements	Current Year Improvements	Percent Change
6271-028-024	Miscellaneous	Bellflower-Somerset Mutual Water Comp	0	10	+ 99,999.9%
6274-002-009	Commercial	Alzona Anastacia P Trust Alzona Family	40,134	63,365	+ 57.9%
6274-027-024	Institutional	St George Coptic Orthodox Church	2,323,303	4,500,000	+ 93.7%
6275-005-008	Miscellaneous	Bellflower-Somerset Mutual Water Comp	0	10	+ 99,999.9%
6278-019-016	Industrial	Cox Elaine Trust Elaine Cox Trust	575,489	654,731	+ 13.8%
6281-008-005	Institutional	St John Bosco School Lessee	5,713,307	5,830,548	+ 2.1%
7017-012-007	Miscellaneous	Bellflower-Somerset Mutual Water Comp	0	10	+ 99,999.9%
7105-001-005	Commercial	Wri Golden State Llc	210,558	340,892	+ 61.9%
7105-018-016	Commercial	Taj Investment Llc	104,000	139,277	+ 33.9%
7107-006-001	Commercial	Gardena Group Holdings Llc	397,978	583,079	+ 46.5%
7107-015-016	Commercial	Clark Real Estate Holdings Llc	91,485	285,000	+ 211.5%
7109-019-005	Commercial	Angelopoulos Stavroula J Trust S Angelc	61,110	612,457	+ 902.2%
7109-019-026	Commercial	Wait Carol C Trust Carol Cox Wait Trust /	0	31,519	+ 99,999.9%
7109-019-027	Commercial	Wait Carol C Trust Carol Cox Wait Trust /	0	31,519	+ 99,999.9%
7109-019-028	Commercial	Wait Carol Cox Trust Carol C Wait Trust /	0	31,519	+ 99,999.9%
7109-019-029	Commercial	Wait Carol C Trust Carol C Wait Trust An	0	31,519	+ 99,999.9%
7109-019-030	Commercial	Wait Carol C Trust Carol Cox Wait Trust /	0	31,519	+ 99,999.9%
7109-019-031	Commercial	Wait Carol C Trust Carol C Wait Trust An	0	31,519	+ 99,999.9%
7161-001-013	Commercial	Bahar Realty Llc	1,000	534,130	+ 53,313.0%
7161-006-017	Miscellaneous	Bellflower-Somerset Mutual Water Comp	0	10	+ 99,999.9%
7161-010-002	Industrial	Dryer Ella J Trust Dryer Trust	60,580	152,997	+ 152.6%
7162-001-080	Commercial	G6 Hospitality Property Llc	6,787,274	6,967,634	+ 2.7%
7162-004-011	Miscellaneous	Bellflower-Somerset Mutual Water Comp	0	10	+ 99,999.9%
7162-019-044	Institutional	Apostolic Assembly Of Faith In Christ Jec	128,600	164,000	+ 27.5%
24 Parcels Listed			16,494,818	21,017,274	+ 27.4%

This calculation reflects the 2015/16 increase in taxable values for this city due to non-residential new construction as a percentage of the total taxable value increase (as of the 2015 lien year roll date). This percentage may be used as an alternative to the change in California per-capita personal income for calculating a taxing agency's annual adjustment of its Appropriation Limit pursuant to Article XIII B of the State Constitution as Amended by Proposition 111 in June, 1990.

Total Change in Non-Residential Valuation Due to New Development	4,522,456
Less Automatic 1.998% Assessors's Inflation Adjustment	-90,359
<u>Actual Change in Non-Residential Valuation</u>	<u>4,432,097</u>
Change in Total Assessed Value	202,358,829
= Alternate 2016/17 Appropriations Limit Factor	2.19%