

June 21, 2004

Honorable Mayor and Members of
the Hermosa Beach City Council

City Council Meeting of
June 22, 2004

ADOPTION OF THE 2004- 2005 APPROPRIATION LIMIT

Recommendation:

It is recommended that the City Council adopt Resolution 04- setting the 2004 -2005 appropriations limit.

Background:

In 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 our Appropriation Limit be reviewed annually by our independent auditor.

Analysis:

The 2004-2005 limit was calculated, per the League of California Cities Uniform Guidelines, by applying the population and inflation factors to the prior year limit. The County of Los Angeles Population Change of 1.38% was used as the population growth factor since it is greater than the population increase of 1.07% for the City. The increase of 3.28% for California Per Capita Personal Income change was used as the inflation factor since the other growth factor for inflation, the Increase in Non-Residential Assessed Valuation Due to New Construction is .57%. The factor with the largest change is always chosen to give the City maximum discretion with regard to appropriations.

The law requires adoption of the 2004-2005 limit by resolution and a recorded vote of the Council to select annual adjustment factors. The choice is set forth in the attached resolution.

The limit calculation will be reviewed by our auditors during the annual financial audit.

Respectfully submitted,

Concur:

Viki Copeland,
Finance Director

Stephen Burrell,
City Manager

RESOLUTION NO. 04-

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF HERMOSA BEACH,
CALIFORNIA, APPROVING AND ADOPTING THE ANNUAL APPROPRIATIONS
LIMIT FOR THE FISCAL YEAR 2004- 2005**

WHEREAS, the voters of California, on November 6, 1979, added Article XIII B to the State Constitution, placing various limitations on appropriations of state and local governments; and

WHEREAS, Article XIII B provides that the appropriations limit for the fiscal year 2004-2005 is calculated by adjusting the base year appropriations of fiscal year 1978-79 and subsequent years for changes in the cost of living and population; and

WHEREAS, Proposition 111 (Section 1.5 of Article XIII B), enacted by the voters on June 5, 1990, modified the method of calculating the limit, beginning with fiscal year 1990-91; and

WHEREAS, the City of Hermosa Beach has complied with all of the provisions of Article XIII B in determining the appropriations limit for fiscal year 2004-2005;

**NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF HERMOSA
BEACH, CALIFORNIA, DOES RESOLVE AS FOLLOWS;**

SECTION 1. That the City of Hermosa Beach chooses to use the California Per Capita Personal Income change as the inflation adjustment factor for fiscal year 2004-2005.

SECTION 2. The City of Hermosa Beach chooses to use the Change in Population for the County of Los Angeles as the growth adjustment factor for fiscal year 2004-2005.

SECTION 3. The City of Hermosa Beach uses the Uniform Guidelines published by the League of California Cities in March 1991 to determine the limit and appropriations subject to the limit.

SECTION 4. Documentation for calculation of the limit is on file in the Finance Department and will be reviewed by the City's auditors during the annual financial audit, as required by Proposition 111.

SECTION 5. The appropriations limit for the City of Hermosa Beach for fiscal year 2004-2005 is \$21,183,184.

PASSED, APPROVED and ADOPTED this 22nd day of June 2004.

**PRESIDENT of the City Council, and MAYOR of the
City of Hermosa Beach, California**

ATTEST:

_____ **CITY CLERK**

APPROVED AS TO FORM:

_____ **CITY ATTORNEY**