

**COUNTY OF SONOMA  
AGENDA ITEM  
SUMMARY REPORT**

**Clerk of the Board Use Only**  
**Meeting Date**                      **Held Until**  
 / /    / /  
**Agenda Item No:**                      **Agenda Item No:**  
 \_\_\_\_\_

Department: County Administrative Office

( ) 4/5 Vote Required

Contact:  
Christina Rivera

Phone:  
(707) 565-3779

Board Date:  
06/09/2009

Deadline for Board Action:

**AGENDA SHORT TITLE:**  
Adoption of FY 2009-10 Appropriation Limits

**REQUESTED BOARD ACTION:**  
Concurrent resolution establishing appropriation limits for County and Board of Supervisors-Governed Special Districts, County Service Areas, other Board of Supervisors-governed agencies, Agricultural Preservation and Open Space District, and Sonoma County Water Agency, and giving instruction to the County Administrator and County Counsel, and giving notice of appropriate period of limitation for judicial review.

**CURRENT FISCAL YEAR FINANCIAL IMPACT**

<u>EXPENDITURES</u>		<u>ADD'L FUNDS REQUIRING BOARD</u>	
<b>Estimated Cost</b>	\$	<b>Contingencies</b>	\$
		(Fund Name: )	
<b>Amount Budgeted</b>	\$	<b>Unanticipated Revenue</b>	\$
		(Source: )	
<b>Other Avail Approp</b>	\$	<b>Other Transfer(s)</b>	\$
(Explain below)		(Source: )	
<b>Additional Requested:</b>	\$	<b>Add'l Funds Requested:</b>	\$
<b>Explanation (if required):</b>			

**Prior Board Action(s):**  
The Board annually adopts the appropriation limit.

**Alternatives - Results of Non-Approval:**  
Adopt different limits so as long they conform to State Constitution and enabling State legislation.

**Background:** After a brief description of the history and requirements, this item details the FY 2009-10 Appropriations Limit calculations. The County's Proposition 4 limit is \$513,108,400, which is \$272,526,606 more than the available 2009-10 proposed budget revenues. The establishing of the FY 2009-10 Appropriation Limits was noticed on May 24 in the Santa Rosa Press Democrat. The documentation and supporting materials to establish the FY 2009-10 appropriation limits have been available for public review since May 26, 2009 at the County Administrator's Office.

**HISTORY**

Proposition 4 of November 1979 amended the State Constitution to add Article XIII-B of the State Constitution. It requires the State and most local governments to annually establish appropriations limits. The limits are to be established in accordance with the constitutional amendment and enabling state legislation (SB 1352 of 1980, also known as Chapter 105, Statutes of 1980). These limits for Fiscal Year 2009-10 must be adopted for County government and those Board of Supervisors-governed special districts and county service areas that had a property tax rate of 12.5 cents or more per \$100 of assessed valuation in 1977-78.

In addition, Proposition 111 (The Traffic Congestion Relief and Spending Limitation Act of 1990) amended the State Constitution's Appropriations Limit to update it to allow for funding for congestion relief, mass transit, health care, services for the elderly and other priority programs, while still providing an overall limit on state and local spending. Proposition 111 changed the previous Constitutional cost-of-living and population factors for both the state and local appropriations limits and changed exclusions from the appropriations limit as follows:

**A. Cost-of-Living Factor**

Previously, the cost-of-living adjustment was the lower of the percentage change in 1) the United States Consumer Price Index (USCPI), or 2) California per capita personal income. Proposition 111 provides that local governments can annually choose either:

1. The percentage change in California per capita personal income, or
2. The percentage change in the jurisdiction's assessed valuation attributable to nonresidential new construction.

**Attachments:**

Concurrent resolution adopting appropriations limits for County and Board of Supervisors-governed districts, County Service Areas, and other entities, Agricultural Preservation & Open Space District and Sonoma County Water Agency.

**On File With Clerk:**

**CLERK OF THE BOARD USE ONLY**

**Board Action (If other than "Requested")**

**Vote:**

**Background:** (Continued)

**B. Population Factor**

Previously, the percentage change in each jurisdiction's population was used. Proposition 111 provides that the State Legislature may establish an alternative population factor. Government Code Section 7901 as amended by Chapter 88, Statutes of 1990, establishes that a county can choose one of the following methods to determine change in population:

1. Change in population within its jurisdiction.
2. Change in population within its jurisdiction, combined with the change in population within all counties having borders that are contiguous to that county.
3. Change in population within the incorporated portion of the county.

**C. Other Factors or Exclusions**

With respect to available revenues subject to annual appropriations limit, Proposition 111 includes several additional categories that can be excluded:

1. Costs of natural disasters, if the Governor declares an emergency and appropriations are approved by a two-thirds vote of the legislative body of the governmental entity to an emergency account for expenditures related to that emergency.
2. Qualified capital outlay expenditures as defined by the State Legislature. Government Code Section 7514 (Chapter 60, Statutes of 1990) defines a qualified capital outlay project to be a fixed asset including land and construction with a useful life of 10 years or more and a value of \$100,000 or more.
3. Motor vehicle fuel taxes at a rate of more than nine cents per gallon. Sales and use taxes collected on that increment of the motor vehicle fuel tax.
4. That portion of the weight fee imposed on commercial vehicles, which exceeds the weight fee imposed on those vehicles on January 1, 1990.

None of the above exclusions were employed, as total available revenues are far below the new limit.

**FY 2009-10 CALCULATIONS**

**A. Proposition 111 - Factors for Limit Calculation**

Pursuant to Proposition 111, the State Department of Finance, by letter of [May 2009](#), has provided key factors to adjust the FY [2009-10](#) spending limit. The following percentages can be utilized in computing the appropriations limits for the County and special districts governed by the Board of Supervisors:

<b>Year</b>	<b>Total County Population Change Factor</b>	<b>County and Contiguous Counties Population Change Factor</b>	<b>Incorporated Population Change Factor</b>	<b>California Per Capita Income Factor</b>
<a href="#">1-2009 vs. 1-2008</a>	<a href="#">0.91%</a>	<a href="#">0.82%</a>	<a href="#">1.04%</a>	<a href="#">0.62%</a>

For the cost of living annual factor, local governments may either choose the percentage change in California per capita personal income or the percentage change in the jurisdiction's assessed valuation, which is attributable to non-residential new construction. The equation used to calculate the non-residential new construction annual percentage is: divide non-residential new construction growth from the prior year by the total local assessment roll growth from the prior year.

**Background:** (Continued)

Since not all of this information is currently available, appropriation limits for Board of Supervisors-governed special districts, county service areas and other entities are not calculated with non-residential new construction factors. If those factors become available and result in higher percentage factors, the limits for those governmental entities may be adjusted at a later time pursuant to Proposition 111.

**B. County Appropriation Limit Calculation**

The FY 2009-10 Appropriation Limit is based on the adopted limits for FY 2008-09 and the limit factor adjustments provided by Proposition 111 adopted by voters in June 1990.

The FY 2009-10 limit adjustment for cost of living is 0.62% and the most favorable population percentage is the change in population within the incorporated portion of the county, which is 1.04% These two factors are combined to provide a single limit adjustment factor in the following manner:

$$1.0062 \times 1.0104 = 1.0167 \text{ (Appropriation Limit Adjustment Factor)}$$

The 1.0167 (1.67%) factor is then multiplied by the FY 2008-09 limit in order to establish the FY 2009-10 Appropriation Limit.

FY 2008-09 County Appropriation Limit (exclusive of Refuse Disposal and Transit FY 2007-08 Adjustments)		\$ 501,870,891
Multiplied by the FY 2009-10 Adjustment Factor	x	<u>1.0167</u>
FY 2009-10 Limit Prior to Transit and Refuse Disposal Adjustments		\$ 510,252,135
Less: Reduction of FY 1981-82 Tax Support for Refuse Disposal		(647,046)
Plus: Limit Increase pursuant to Agreement for Transit Services between County and Sonoma County Cities for FY 2008-09. See Resolution Exhibit A for Coordinated Claim)		<u>3,503,311</u>
FY 2009-10 Appropriation Limit		\$ 513,108,400

The first adjustment decrease to the FY 2009-10 limit is due to the reduction of tax support for refuse disposal operations. The Constitution and enabling state legislation requires that if tax support of a service is reduced, and fees are increased to offset the reduction of tax support, the limit must be decreased by an equivalent amount. The County had provided \$647,046 of tax support until 1985-86 when that amount was reduced to \$517,046. In FY 1986-87, tax support was reduced to \$344,697. In FY 1987-88, tax support for refuse disposal was terminated.

The second adjustment increasing for transit services is made pursuant to the FY 2009-10 agreement for transit services between the County and cities in Sonoma County (see Resolution Exhibit A for the summary of the coordinated claim approved by the Board of Supervisors on April 28, 2009). The limit exchange from the cities is to allow the County to provide transit services to the cities without adversely impacting the County's available appropriation limit for provision of other tax supported activities.

### C. District Appropriations Limit Calculation

The appropriation limit calculation for special districts or other governmental entities under the financial/budget control of the Board of Supervisors uses the [total change population factor \(0.91%\)](#) and the California per capita personal income factor [\(0.62%\)](#) provided by the California Department of Finance in their letter of [May 2009](#).

These two factors are combined to provide a single limit adjustment factor in the following manner:

$$1.0091 \times 1.0062 = 1.0154 \text{ (Appropriation Limit Adjustment Factor for Districts)}$$

The [1.0154 \(1.54%\)](#) factor is then multiplied by the FY [2008-09](#) limit in order to establish the FY [2009-10](#) appropriation limit for special districts and other governmental agencies. The full list of new district limits is included in the resolution for your consideration.

#### **Requested Board Action(s):**

Concurrent resolution establishing appropriation limits for County and Board of Supervisors-Governed Special Districts, County Service Areas, other Board of Supervisors-governed agencies, Agricultural Preservation and Open Space District, and Sonoma County Water Agency, and giving instruction to the County Administrator and County Counsel, and giving notice of appropriate period of limitation for judicial review.