
MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Board of Directors

MEETING DATE: 06/25/2013

FROM: Administrative Services

PREPARED BY: Fariba Ghahremani

APPROVED BY: Michele Braucht

ITEM: APPROVE ADOPTING ANNUAL APPROPRIATIONS LIMIT RESOLUTION FOR THE CALCULATED LIMIT OF \$23,738,964, THE VOTER LIMIT OF \$40,000,000 AND THE REVENUE SUBJECT TO THE LIMIT OF \$29,894,100

STAFF RECOMMENDATION

1. That the Board of Directors accepts the report as presented.
2. That the Board of Directors approves the Resolution adopting the FY 2013-14 annual Appropriations Limit for the calculated limit \$23,738,964, the voter limit of \$40,000,000 and the revenue subject to the limit of \$29,894,100

BACKGROUND

Proposition 4, co-sponsored by Proposition 13 author Paul Gann and commonly known as the Gann Initiative, was passed by California voters in 1979. It established Article XIII B of the State Constitution and set limits on the growth of most appropriations from tax sources made by the State and affected local governmental entities. Most local governments and districts are subject to the limit. Starting in the 1980-81 fiscal year, Article XIII B limited the annual growth of applicable appropriation levels to calculated percentages, above the previous year's level, based upon regional population growth and the rate of inflation as measured by the lower of the percentage change in the Consumer Price Index, CPI, or California's per capita personal income.

Types of revenue subject to the Article XIII B limit included tax revenues, interest earnings on invested tax revenues, and proceeds from regulatory and service licenses, fees and charges that exceed costs to cover administration and services provided. Appropriations for debt service and compliance with court orders and federal mandates were exempt from the limit. Voters within a jurisdiction were allowed to authorize an increase in the limit; however, any increase approved could only be in effect for a maximum of four years. After four years, voters could approve another increase, otherwise the limit would return to the level it would have been without the first increase. The article further specified that tax revenues in excess of the limits were to be returned to taxpayers in the form of lower tax rates or reduced fee schedules.

In 1988, Proposition 98 allowed excess appropriations to be transferred to K-14 schools, up to 4 percent of the schools minimum funding base. Proposition 99, also passed in 1988, increased taxes on cigarette and tobacco products and made these tax revenues exempt from the Article XIII B limit.

More comprehensive changes were implemented in 1990 with the approval of Proposition 111. One of the most significant changes under 111 was to extend the appropriations limit restriction to a two-year period. Excess revenues received in one year could be carried over to the following year, preventing a rebate if the revenues fell below the limit in the second year. The effect was to create a two year average, allowing the State and local entities more flexibility in managing appropriations and

Board Meeting – June 25, 2013
Appropriations Limit

expenditures. In addition, Proposition 111 covered a gap in previous legislation that left the State and local governments open to spending limits that could prevent adequate funding of multi-year capital outlays and sufficient response to emergencies such as natural disasters. Subsequently, costs associated with recovery from natural disasters and for qualified capital outlays were exempt from the Article VIII B limits.

The net effect of the three propositions was to soften the appropriations limit, adding new exemptions, allowing for a two-year average against the limit and increasing the funding available to schools. However, the State and each affected local governmental entity, must plan and budget against the Gann limit as it remains a binding constraint on governmental appropriations.

DISCUSSION

Calculation of 2013-2014 Appropriations Limit:

On an annual basis, the State Department of Finance, as mandated by the California Revenue & Taxation Code, provides on their website (http://www.dof.ca.gov/budgeting/documents/Price-Population_2013.pdf) inflation and population information. This information provides estimates of the percentage change in population and the cost of living or price factor which are used to calculate the District's Appropriations Limit.

For the current fiscal year, 2013-14, the District will follow the established rules set by the State Department of Finance for calculating the percent change in population. The agency recommends that the District use the total county percent change or a weighted average of the percent change of each city and the unincorporated area, whichever results in a higher increase.

| <u>City or Un-Incorporated</u> | <u>Population % Change</u> | <u>X</u> | <u>Assessed Valuation**</u> | <u>Weighted % Change</u> |
|--------------------------------|----------------------------|----------|-----------------------------|--------------------------|
| Atherton | 0.29 | | 6,934,893,503 | 2,011,119,116 |
| East Palo Alto | 0.96 | | 1,855,334,951 | 1,781,121,553 |
| Menlo Park | 0.90 | | 9,857,265,796 | 8,871,539,216 |
| Unincorporated Area | 1.04 | | 3,218,380,188 | 3,347,115,396 |
| | | | <u>21,865,874,438</u> | <u>16,010,895,281</u> |

WA% Change = (16,010,895,281/21,865,874,438) 0.7322%
 WA % Change Converted to a Ratio = (100+0.7322)/100 1.0073

** Refer to the County of San Mateo assessed valuation report for FY 2012-13 (http://www.co.sanmateo.ca.us/Attachments/controller/Files/2012_TaxRateBook.pdf)

Annual percent change method is calculated below:

| City or Un-Incorporated | Population 1/1/12 | Population 1/1/13 | Population Change | Population % Change |
|-------------------------|----------------------|----------------------|----------------------|------------------------|
| Atherton | 6,873 | 6,893 | 20 | 0.29 |
| East Palo Alto | 28,402 | 28,675 | 273 | 0.96 |
| Menlo Park | 32,194 | 32,485 | 291 | 0.90 |
| Unincorporated Area | 20,982 | 21,201 | 219 | 1.04 |
| | 88,451 | 89,254 | 803 | |

% Change 2013-2014 0.9078%
 % Change to a Ratio = (100+0.9078)/100 1.0091

The weighted average growth rate of 0.7322 percent is less than the overall County rate of 0.9078 percent. Using the larger value, the calculation of the Appropriations Limit for the District for FY 2013-14 is as follows:

Fiscal Year 2013-14 Appropriations Limit Calculation

| Change in County Population Ratio | Change in Per Capita Income | Appropriation Factor | FY 2012-13 Appropriation Limit | FY 2013-14 Appropriation Limit |
|--|-----------------------------------|-------------------------|--------------------------------------|--------------------------------------|
| 1.0091 | X 1.0512 | 1.0608 | X 22,378,360 | 23,738,964 |

State law (Government Code 7910) requires each local government agency to establish its Appropriations Limit for the following fiscal year pursuant to Article XIII-B. The limit is then to be adopted at a regularly scheduled Board meeting. The documentation used in determining the limit must be available for fifteen days prior to the Board meeting.

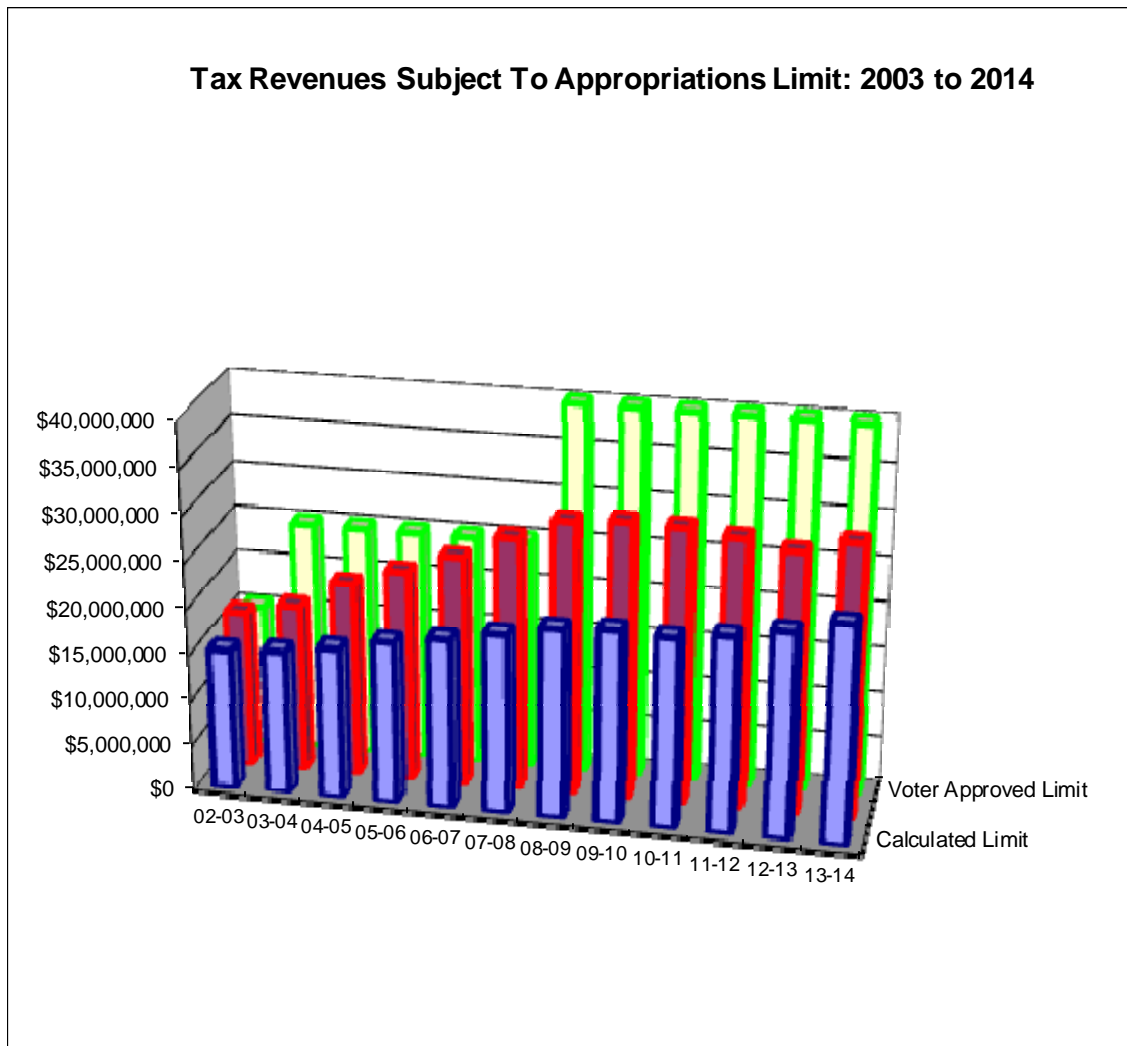
FISCAL IMPACT

The FY 2013-14 operating budget has been prepared in compliance with the Appropriations Limit.

| <u>Revenue Subject To Limit</u> | <u>2009-10 Actual</u> | <u>2010-11 Actual</u> | <u>2011-12 Actual</u> | <u>2012-13 Estimated</u> | <u>2013-14 Proposed</u> |
|-----------------------------------|---------------------------|---------------------------|---------------------------|------------------------------|-----------------------------|
| Property Taxes | 28,480,600 | 28,525,100 | 29,518,800 | 27,917,000 | 28,201,600 |
| Interest Earnings | 208,900 | 161,300 | 135,200 | 120,000 | 93,500 |
| HOPTEP | 182,500 | 186,300 | 184,400 | 234,500 | 237,000 |
| Successor Agency - East Palo Alto | 600,200 | 570,200 | 575,500 | 679,000 | 679,000 |
| Successor Agency - Menlo Park | 663,900 | 647,500 | 519,700 | 683,000 | 683,000 |
| Total Revenue Subject To Limit | 30,136,100 | 30,090,400 | 30,933,600 | 29,633,500 | 29,894,100 |
| Voter Approved Limit * | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 | 40,000,000 |
| Over/(Below) the Limit | (9,863,900) | (9,909,600) | (9,066,400) | (10,366,500) | (10,105,900) |

* The increased limit, approved by the voters in 2007, allowed the District to meet its operating expenditure obligations. In November of 2011, the voters approved the Appropriations Limit for the District at the same level of \$40,000,000.

The graph below presents the trend of tax revenues budgeted and both the calculated and voter approved Appropriations Limits for the District.



ATTACHMENTS

- A. Resolution Adopting FY 2013-2014 Fiscal Year Appropriations Limit Pursuant to Article XIII B for the calculated limit of \$23,738,964, the voter limit of \$40,000,000 and the revenue subject to the limit of \$29,894,100
- B. History of the Appropriations Limit

In order to meet the State law (Government Code 7910), this report will be posted on the Menlo Park Fire Protection District’s Website for fifteen days prior to the Board meeting. (<http://www.menlofire.org>) as of 05/21/2013.

Resolution No.

RESOLUTION OF THE DISTRICT BOARD OF MENLO PARK FIRE PROTECTION DISTRICT ADOPTING FY 2013-14 ANNUAL APPROPRIATIONS LIMIT PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION FOR THE CALCULATED LIMIT OF \$23,738,964, THE VOTER LIMIT OF \$40,000,000 AND THE REVENUE SUBJECT TO THE LIMIT OF \$29,894,100

WHEREAS, before June 30 of each year, the Board of Directors of the Menlo Park Fire Protection District must select the factors used to calculate the appropriations limit for the next fiscal year and, in consideration of any voter approved increase, establish the appropriations limit accordingly.

NOW, THEREFORE, BE IT HEREBY RESOLVED by the Board of Directors of the Menlo Park Fire Protection District that FY 2013-14 calculated appropriations limit is \$23,738,964, calculated as follows:

| | |
|---|--------------|
| Appropriation Limit for Fiscal Year 2012-13 | \$22,378,360 |
| Per Capita Cost of Living Ratio (Provided by the State Department of Finance) | 1.0512 |
| Weighted Average Population % Change Converted to a Ratio | 1.0091 |
| Fiscal Year 2013-14 Calculation Factor (1.0512 X 1.0091 = 1.0608) | 1.0608 |
| Calculated Fiscal Year 2013-14 Appropriations Limit (1.0608 X \$22,378,360 = \$23,738,964) | \$23,738,964 |

The voter approved limit of \$40,000,000, set November of 2011, is established as the applicable limit for FY 2013-14.

I HEREBY CERTIFY that the above and foregoing resolution was passed and adopted by the Board of Directors of the Menlo Park Fire Protection District at its regular meeting held on the 25th day of June 2013 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

ATTESTED: _____
Deanna Riding, Clerk of the Board

APPROVED: _____
Stephen Nachtsheim, Board President

Board Meeting – June 25, 2013
Appropriations Limit

ATTACHMENT B

History of the Appropriations Limit:

As the table below shows, the District's appropriations have been above the calculated limit since FY 2002-03 but within the voter approved limits.

| FY | Cost of Living % Change* | Cost of Living Ratio | Population Change Ratio | Approp. Factor | Calculated Appropriations Limit | Appropriations Limit Including Increase | Increase Approved by Voters (valid for four years from year of approval) | District's Appropriations Subject to Limit | Variance from Approved Limit |
|-------|--------------------------|----------------------|-------------------------|----------------|---------------------------------|---|--|--|------------------------------|
| a | b | c | d | e | f | g | h | i | j |
| | | | | (c X d) | e X (f"cell above") | | (h = f - g) | | (j = g - i) |
| 95-96 | | | | | 10,859,063 | 18,859,179 | 8,000,116 | 9,421,250 | 9,437,929 |
| 96-97 | 4.67 | 1.0467 | 1.0089 | 1.0560 | 11,467,340 | 18,859,179 | 7,391,839 | 9,821,704 | 9,037,475 |
| 97-98 | 4.67 | 1.0467 | 1.0141 | 1.0615 | 12,172,105 | 12,172,105 | 0 | 10,572,957 | 1,599,148 |
| 98-99 | 4.15 | 1.0415 | 1.0094 | 1.0513 | 12,796,414 | 12,796,414 | 0 | 11,534,526 | 1,261,888 |
| 99-00 | 4.53 | 1.0453 | 1.0489 | 1.0964 | 13,501,827 | 13,501,827 | 0 | 12,953,505 | 548,322 |
| 00-01 | 4.91 | 1.0491 | 1.0008 | 1.0499 | 14,176,341 | 14,176,341 | 0 | 14,145,481 | 30,860 |
| 01-02 | 7.82 | 1.0226 | 1.0160 | 1.0390 | 14,727,994 | 14,727,994 | 0 | 14,480,678 | 247,316 |
| 02-03 | -1.27 | 0.9873 | 1.0530 | 1.0396 | 15,311,619 | 15,311,619 | 0 | 17,024,253 | (1,712,634) |
| 03-04 | 2.31 | 1.0231 | 1.0010 | 1.0241 | 15,680,629 | 25,000,000 | 9,319,371 | 18,219,218 | 6,780,782 |
| 04-05 | 3.28 | 1.0328 | 1.0183 | 1.0517 | 16,491,317 | 25,000,000 | 8,508,683 | 21,180,437 | 3,819,563 |
| 05-06 | 5.26 | 1.0526 | 1.0188 | 1.0724 | 17,685,288 | 25,000,000 | 7,314,712 | 22,961,800 | 2,038,200 |
| 06-07 | 3.96 | 1.0396 | 1.0054 | 1.0452 | 18,485,432 | 25,000,000 | 6,514,568 | 25,070,900 | (70,900) |
| 07-08 | 4.42 | 1.0442 | 1.0119 | 1.0566 | 19,532,188 | 25,000,000 | 5,467,812 | 27,575,900 | (2,575,900) |
| 08-09 | 4.29 | 1.0429 | 1.0127 | 1.0561 | 20,628,819 | 40,000,000 | 19,371,181 | 29,776,900 | 10,223,100 |
| 09-10 | 0.62 | 1.0062 | 1.0119 | 1.0182 | 21,004,264 | 40,000,000 | 18,995,736 | 30,184,600 | 9,815,400 |
| 10-11 | -2.54 | 0.9746 | 1.0123 | 0.9866 | 20,722,807 | 40,000,000 | 19,277,193 | 30,049,300 | 9,950,700 |
| 11-12 | 2.51 | 1.0251 | 1.0071 | 1.0324 | 21,394,226 | 40,000,000 | 18,605,774 | 29,448,100 | 10,551,900 |
| 12-13 | 3.77 | 1.0377 | 1.0080 | 1.0460 | 22,378,360 | 40,000,000 | 17,621,640 | 28,503,800 | 11,496,200 |
| 13-14 | 5.12 | 1.0512 | 1.0091 | 1.0608 | 23,738,964 | 40,000,000 | 16,261,036 | 29,894,100 | 10,105,900 |
| 14-15 | 5.12 | 1.0512 | 1.0091 | 1.0608 | 25,182,293 | 40,000,000 | 14,817,707 | 30,184,300 | 9,815,700 |

For FY 2014-15, the appropriation factor was assumed to stay constant at 1.0608 % and the cost of living growth rate was also assumed to remain constant at 5.12%.