



Date: June 21, 2017

To: The Honorable Board of Directors

Through: Finance, Legal and Administration Committee (06/14/17)

From: P. Joseph Grindstaff
General Manager

Submitted by: Christina Valencia
Chief Financial Officer/Assistant General Manager

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Manager of Finance and Accounting

Subject: Adoption of Resolution No. 2017-6-9, Establishing the Appropriation Limits for Fiscal Year 2017/18

RECOMMENDATION

It is recommended that the Board of Directors adopt Resolution No. 2017-6-9, establishing the appropriation limits for Fiscal Year (FY) 2017/18.

BACKGROUND

A year after the adoption of Proposition 13 (People's Initiative to Limit Property Taxation), the State Legislature adopted Proposition 4 (Gann Limit Initiative) in November 1979 to place a limit (Appropriations Limit) on the amount of property tax proceeds that state and local government can authorize to expend (appropriate) during any fiscal year.

The purpose of Proposition 4 (1979), created under Article XI11B of the California Constitution, and later amended by Proposition 111 (1990), was to hold government expenditures at their 1978-79 level, adjusted for changes in cost of living and population. Prop 111 reset the base year from 1978-79 to 1986-87 and allowed local jurisdictions to choose among measures of; population growth, inflation, or per capita personal income tax (PIT) index

Accordingly, the Agency's Appropriations Limit 1978-79 base year calculation was retroactively modified each year for changes in one of two factors. The Agency applies the population and PIT factors to calculate its Annual Appropriations Limit n (Exhibit II). For FY 2017/18, both factors

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changed as follows: San Bernardino County population increased to 1.0116% from 0.93%, and the State of California PIT index decreased by 1.68% from 5.37% to 3.69%.

Based on the change in population and PIT index, the Agency's total Appropriation Limit for FY 2017/18 is \$178.0 million; an increase of \$8.3 million compared to \$169.7 million for the current fiscal year. The Agency's FY 2017/18 budget subject to the limit is \$46 million, equal to the projected amount of property tax proceeds; below the \$178.0 million appropriation limit. The calculation of the FY 2017/18 Appropriation Limit has been affirmed by the external auditors.

Prior to June 21, 2017, the required notice of the Board's intention to adopt the Agency's appropriation limits was posted for public review, and documentation of staff's determinations has been available for public review since that date. The required minimum 15-day notice has now been met.

Establishing the appropriation limits for FY 2017/18 is consistent with the Agency's business goals of Fiscal Responsibility in funding and appropriation.

PRIOR BOARD ACTION

On June 15, 2016, the Board of Directors adopted Resolution No. 2016-6-8, establishing the Appropriation Limits for FY 2016/17.

IMPACT ON BUDGET

The appropriation limits will not affect the Agency's proposed spending level or reserves, as the proposed expenditures are projected to be supported primarily by non-ad valorem tax revenue sources, such as user fees and rates. Expenses that will utilize tax revenue are expected to be well below the FY 2017/18 Appropriation Limit.

Attachment:
Resolution No. 2017-6-9