RESOLUTION NO. 2017-6-9

RESOLUTION OF THE BOARD OF DIRECTORS OF INLAND EMPIRE UTILITIES AGENCY*, SAN BERNARDINO COUNTY, CALIFORNIA, ESTABLISHING APPROPRIATION LIMITS FOR FISCAL YEAR 2017/18

WHEREAS, on November 6, 1979, Proposition 4 on the ballot for the Special Election added Article XIIIB to the Constitution, effective July 1, 1980, placing various limits on the fiscal powers of state and local governments;

WHEREAS, implementing legislation, Chapter 1205 Statutes of 1980 (SB 1352) became effective January 1, 1981, wherein the appropriation may increase each year by an amount equal to the percentage change in population from January to January each year and the lower of two price changes, i.e., either the U.S. March to March Consumer Price Index (CPI), or the fourth quarter per Capita Personal Income Index;

WHEREAS, Article XIIIB and its implementing legislation were modified by Proposition 111 and SB88 (Chapter 60/90) to establish new annual adjustment factors beginning with the 1990/91 Appropriation Limits;

WHEREAS, Inland Empire Utilities Agency*, as a local government, is required under Article XIIIB to annually establish an appropriation limit for the following fiscal year;

WHEREAS, Resolution No. 81-6-7 was adopted on June 24, 1981, setting forth definitions, declarations, findings, and determinations concerning the applicability of Article XIIIB to the individual funds of the Agency;

WHEREAS, those definitions, declarations, findings, and determinations are modified as specifically provided herein;

WHEREAS, it is Inland Empire Utilities Agency's* intent to establish this year's Appropriation Limits, following the California League of Cities Uniform Guidelines dated March, 1991; and

WHEREAS, except for data on non-residential assessed valuation due to new construction (since 1986/87), data concerning per capita personal income and population changes necessary for determining the Fiscal Year 2017/18 Appropriation Limits are now available.

NOW, THEREFORE, the Inland Empire Utilities Agency* does hereby RESOLVE and DETERMINE as follows:

Section 1. The Board of Directors has determined to select the State of California Per Capita Personal Income as its inflation adjustment factor, in the absence of up-to-date data on non-residential assessed valuation. The Board reserves the right to change its selection of the inflation adjustment factor once the assessment data are available.

Section 2. The Board has determined to select the San Bernardino County's population growth (since 1986/87) as its population adjustment factor.

Section 3. Appropriation Limits. That pursuant to Section 7910 of the Government Code, the Board of Directors does hereby establish the following Appropriation Limits for Fiscal Year 2017/18 is $178,006,894.

Section 4. Publication. Pursuant to Government Code Section 37200 the Appropriation Limits and the Total Appropriation Subject to Limitation will be published in the annual budget.

Section 5. Filing. That after a 45-day period to allow for public review and comment, the Board Secretary is hereby authorized and directed to file a certified copy of this Resolution with the State Auditor Controller.

Section 6. That upon adoption of this Resolution, Resolution No. 2016-6-8 is hereby rescinded in its entirety.

Adopted this 21st day of June, 2017

Steven J. Elie
President of the Inland Empire Utilities Agency*
and of the Board of Directors thereof

ATTEST:

Jasmin A. Hall
Secretary/ Treasurer of the Inland Empire
Utilities Agency* and of the Board of
Directors thereof

(SEAL)

*A Municipal Water District

STATE OF CALIFORNIA)
)SS
COUNTY OF SAN BERNARDINO)

I, Jasmin A. Hall, Secretary/Treasurer of the Inland Empire Utilities Agency*, DO HEREBY CERTIFY that the foregoing Resolution being No. 2017-6-9, was adopted at a regular meeting on June 21, 2017, of said Agency by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Jasmin A. Hall
Secretary/Treasurer

(SEAL)

* A Municipal Water District

EXHIBIT I

APPROPRIATION LIMIT

Article XIIIB of the California State Constitution, more commonly referred to as the GANN Initiative or GANN Limit, was adopted by California voters in 1980 and placed limits on the amount of taxes that state and local governmental agencies can receive and appropriate (authorize to spend) each year.

The limit is different for each agency and changes each year. The annual limit is based on the amount of tax proceeds that were authorized to be spent in Fiscal Year (FY) 1978-1979 in each agency, modified for changes in inflation and population in each subsequent year. Proposition 111 was passed by the State's voters in June 1990. This legislation made changes to the manner in which the Appropriation Limit is to be calculated.

The annual adjustment factors for inflation and population have been changed. Instead of using the lesser of the State of California per capita income or U.S. CPI, each agency may choose either the growth in the State of California per capita income or the growth in assessed valuation due to new non-residential construction within the agency service area. For population, each agency may choose to use the population growth within its county instead of using only the population growth of an agency's service area. These are both annual elections.

An agency which exceeds the limit in any one year may choose to not give a tax refund if they fall below the limit in the next fiscal year. They then have two more years to refund any remaining excess or to obtain a successful override vote. In certain situation, proceeds of taxes may be spent on emergencies without having to reduce the limit in the future years. Each agency must now conduct a review of its Appropriation Limit during its annual financial audits.

The legislation also requires a governing body to annually adopt, by resolution, an appropriations limit for the following year, along with a recorded vote regarding which of the annual adjustment factors have been selected. The Inland Empire Utility Agency's appropriation limit and annual adjustment factors are adopted at the same meeting as the budget. The two factors used for the Fiscal Year 2017/18 are the change in the State of California per capita personal income and the change in the San Bernardino County population.

The following table shows the annual appropriations limit and the proceeds from taxes for the last five years and for FY 2017/18. The change in the limit is based upon population change of 1.01% within the county and a per capita personal income change of 3.69%, as provided by the State Department of Finance.

Fiscal Year	Annual Appropriations Limit	Proceeds of Taxes (Appropriations)
2012/13	$140,911,109	$ 32,607,254
2013/14	$149,385,503	$ 33,351,677
2014/15	$150,204,136	$ 40,203,474
2015/16	$159,570,580	$ 41,156,629
2016/17	$169,703,311	$ 44,704,800
2017/18	**$178,006,894**	**$ 46,046,000**

Since the implementation of this legislation (effective 1981 then modified in 1990), Inland Empire Utilities Agency has annually established and adopted an appropriation limit and has been in compliance.

EXHIBIT II

INLAND EMPIRE UTILITIES AGENCY

Proposed Budget Fiscal Year 2017/18
Appropriations Limit Calculation

	Agency Total
2016/17 Appropriations Limit	$169,703,311
2017/18 Change in Per Capital Personal income 1.03690	
2017/18 Change in Population 1.01160	
Ratio of Change (1.03690 x 1.01160)	1.04893
2017/18 APPROPRIATIONS LIMIT	**$178,006,894**

	Agency Total
Total Expenses	$145,170,074
Net Change in Capital Outlay	69,150,198
Debt Service	22,043,492
Subtotal of Appropriations	$236,363,764
Increase/(Decrease) in Working Capital Reserves	(12,736,040)
Total Appropirations	$223,627,724
Less: Non-Tax Proceeds	(177,581,724)
APPROPRIATIONS SUBJECT TO LIMITATION	**$46,046,000**

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 Javier Chagoyen-Lazaro 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 Legislation 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 X111B 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 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