



CITY OF OAKLAND

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2013 FEB 14 AM 11:00

# AGENDA REPORT

**TO:** DEANNA J. SANTANA  
CITY ADMINISTRATOR

**FROM:** Donna Hom  
Budget Director

**SUBJECT:** Appropriations Limits for Fiscal Years  
(FY) 2010-11, 2011-12, and 2012-13

**DATE:** January 28, 2013

City Administrator

Approval

Date

2/7/13

**COUNCIL DISTRICT:** City-Wide

## RECOMMENDATION

Approve a resolution revising the City of Oakland's appropriations limits for fiscal years (FY) 2010-11, 2011-12, and 2012-13.

## OUTCOME

Approving the proposed minor revisions will bring the City into compliance with standard methodology and recommendations of the City's external auditor. As the revisions are minor, they will not materially change the City's appropriation limit.

## BACKGROUND/LEGISLATIVE HISTORY

California Proposition 4 (November 1979) created Article XIII B of the California Constitution, which addresses Limitation of Government Appropriations. Effective July 1, 1980, it created an upper limit on the annual amount of funds that can be appropriated by the State and local governments. The appropriations limit is sometimes referred to as the "Gann limit," after Paul Gann, one of the proposition's authors.

Section 13B.1 states that the annual appropriations limit of "...each local government shall not exceed the appropriations limit of the entity of government for the prior year adjusted for the change in the cost of living and the change in population..." Further, section 13B.1.5 states that "the annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit." Many local government appropriations are subject to the limit, although there are exemptions, including appropriations related to capital outlay, debt service, and State subventions.

California Government Code Title 1 (General), Division 9 (Expenditure Limitations), Sections 7900-7914 contain some specific direction regarding the implementation of Article XIII B and

Item: \_\_\_\_\_

Finance and Management Committee  
February 26, 2013

the calculation of the appropriations limit. Section 7909 requires that “no later than May 1 of each year, the Department of Finance shall notify each local agency of the change in the cost of living or change in California per capita personal income, whichever is less, and population for each local agency for the prior calendar year.” Section 7910 requires that “each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution at a regularly scheduled meeting or noticed special meeting.”

The City of Oakland’s Budget Office has calculated the appropriations limit and the City Council has normally adopted the resolution formalizing the limit around June of each year.

### ANALYSIS

As noted above, section 13B.1.5 states that “the annual calculation of the appropriations limit under this article for each entity of local government shall be reviewed as part of an annual financial audit.” Yano Accountancy Corporation, a subcontractor of the City’s primary external auditor, Macias, Gini & O’Connell LLP, has notified the City that, when it calculated the City’s appropriations limit as part of the annual year-end financial audit, it computed numbers that were slightly different from those calculated by the City for FY 2010-11 and FY 2011-12.

Based on follow up discussions between the Budget Office and Yano Accountancy Corporation, it was determined that the difference in the computed figures was due to two factors. First, the City used the incorrect population change and per capita income change figures in FY 2011-12 and FY 2012-13, which is the cause of the majority of the difference. Second, the City used a computational methodology, including rounding conventions, that were different from those illustrated by the Department of Finance. The table below lists the originally adopted appropriations limits and the revised amounts when computed using the Department of Finance methodology.

Fiscal Year	Originally Adopted	Revised Amounts
FY 2010-11	\$444,315,285	\$444,305,995
FY 2011-12	\$457,422,586	\$459,056,954
FY 2012-13	\$475,216,324	\$481,045,783

Note that the revised limit is greater in FY 2011-12 and FY 2012-13 than the originally adopted limit. In recent years, the City’s actual appropriations subject to the limit have been more than \$100M lower than the limit itself, such that the limit is not binding on our appropriations. For example, the appropriations subject to the limit in FY 2012-13 are \$346M, whereas the originally adopted limit was \$475M and the revised limit is \$481M.

The detail regarding the calculation of the revised amounts can be found in the table below.

Calculations per California Department of Finance Methodology				
	Change in per capita personal income	Change in population (Alameda County)	Combined adjustment factor	Appropriations limit
FY 2009-10	NA	NA	NA	\$450,934,736
FY 2010-11	-2.54%	1.10%	0.9853	\$444,305,995
FY 2011-12	2.51%	0.79%	1.0332	\$459,056,954
FY 2012-13	3.77%	0.98%	1.0479	\$481,045,783
Note that the change in per capita personal income and the change in population are provided by the California Department of Finance in the Price and Population Information publication in May of each year. The combined adjustment factor is calculated as illustrated in the annual Price and Population Information publication from the California Department of Finance, the percentage change in per capita personal income plus 100 divided by 100, rounded to four decimal places, multiplied by the percentage change in population plus 100 divided by 100, rounded to four decimal places, the product of which is rounded to four decimal places.				

Going forward, the Budget Office will use the personal income change and population change figures and will follow the computational methodology illustrated in the Department of Finance’s Price and Population Information publication issued every May.

**PUBLIC OUTREACH/INTEREST**

No public outreach is required for this item apart from the regular noticing requirements.

California Government Code Title 1 (General), Division 9 (Expenditure Limitations), Section 7910(a) states that “Each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution at a regularly scheduled meeting or noticed special meeting. Fifteen days prior to the meeting documentation used in the determination of the appropriations limit and other necessary determinations shall be available to the public.”

**COORDINATION**

The City Administrator’s Budget Office coordinated with the Office of the Controller and the Office of the City Attorney in preparing this report.

**COST SUMMARY/IMPLICATIONS**

There are no cost implications of this item.

**SUSTAINABLE OPPORTUNITIES**

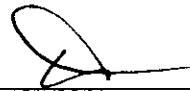
*Economic:* No direct economic opportunities have been identified.

*Environmental:* No direct environmental opportunities have been identified.

*Social Equity:* No direct social equity opportunities have been identified.

For questions regarding this report, please contact me at 510-238-2038.

Respectfully submitted,



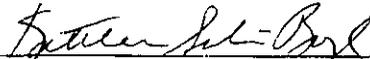
---

Donna Hom  
Budget Director

FILED  
OFFICE OF THE CITY CLERK  
OAKLAND

2013 FEB 14 AM 11:00

APPROVED AS TO FORM AND LEGALITY

  
CITY ATTORNEY

## OAKLAND CITY COUNCIL

Resolution No. \_\_\_\_\_ C.M.S.

---

### RESOLUTION AMENDING THE APPROPRIATIONS LIMITS FOR FISCAL YEARS (FY) 2010-11, 2011-12, AND 2012-13 PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

**WHEREAS**, Article XIII B of the California Constitution (Limitation of Government Appropriations) was passed by the California electorate on November 6, 1979, and became effective on July 1, 1980; and

**WHEREAS**, California Government Code Title 1 (General), Division 9 (Expenditure Limitations), Section 7900 formally implements methods for governmental entities to establish and define annual appropriations limits, based on annual appropriations for prior fiscal years; and

**WHEREAS**, Section 7910(a) reads that "each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year pursuant to Article XIII B of the California Constitution at a regularly scheduled meeting or noticed special meeting"; and

**WHEREAS**, the City of Oakland has received notification from Yano Accountancy Corporation, a subcontractor of the City's primary external auditor, Macias, Gini & O'Connell LLP, that the City's adopted past appropriations limits are slightly noncompliant with accepted methodology; and

**WHEREAS**, the City of Oakland had previously calculated and the City Council approved by resolution the following appropriations limits:

- FY 2010-11 - \$444,315,285 (Resolution No. 82850 CMS),
- FY 2011-12 - \$457,422,586 (Resolution No. 83439 CMS), and
- FY 2012-13 - \$475,216,324 (Resolution No. 83896 CMS); now therefore be it

**RESOLVED:** That the growth factors used to calculate the City of Oakland's appropriations limit are the county population change and the increase in the California per capita income; and

**FURTHER RESOLVED:** That, accordingly, the amended annual appropriations limits for the City of Oakland shall be:

- FY 2010-11 - \$444,305,995,
- FY 2011-12 - \$459,056,954, and
- FY 2012-13 - \$481,045,783.

IN COUNCIL, OAKLAND, CALIFORNIA, \_\_\_\_\_, 2013

**PASSED BY THE FOLLOWING VOTE:**

**AYES---** BROOKS, GALLO, KALB, KAPLAN, MCELHANEY, REID, SCHAAF, AND PRESIDENT KERNIGHAN

**NOES---**

**ABSENT---**

**ABSTENTION---**

ATTEST: \_\_\_\_\_  
LATONDA SIMMONS  
City Clerk and Clerk of the Council of  
the City of Oakland, California