



City of Costa Mesa

Agenda Report

77 Fair Drive
Costa Mesa, CA 92626

File #: 22-721

Meeting Date: 6/7/2022

TITLE:

ADOPTION OF FISCAL YEAR 2022-23 APPROPRIATIONS LIMIT

DEPARTMENT: FINANCE DEPARTMENT

PRESENTED BY: CAROL MOLINA, FINANCE DIRECTOR

FOR FURTHER INFORMATION CONTACT: CAROL MOLINA, FINANCE DIRECTOR, (714) 754-5243

RECOMMENDATION:

Staff recommends that City Council adopt Resolution 22-XX establishing the Fiscal Year 2022-2023 Appropriations Limit for the City of Costa Mesa at \$286,881,520, by using Orange County's growth for population adjustment, and the California per capita income growth for inflationary adjustment.

BACKGROUND:

Article XIII B of the Constitution of the State of California requires that the City establish annually an Appropriations Limit. This appropriations limit determines the maximum amount of specific tax revenues which an agency is allowed to spend. Pursuant to Article XIII B and its implementing legislation, the total annual appropriations limit must be calculated by adjusting the prior year's appropriations limit for changes in the cost of living and population growth.

The City may choose one of the following factors to use for inflationary adjustment:

- (a) the growth in California per capita income from the preceding year, or
- (b) the growth in the non-residential assessed property valuation due to new construction within the City.

For population growth, the City may choose to use either:

- (a) the population growth of the City, or
- (b) the population growth within the County. These two adjustment factors (one for inflation and one for population) are both annual elections for the City in determining its Appropriations Limit for the following Fiscal Year.

For the 2022-2023 calculation, the City is electing to use the population growth of Orange County (-0.23 percent) rather than the population growth of the City of Costa Mesa (-0.7 percent) since it yields a higher population growth factor, and the growth in California per capita income as its inflation factor as provided by the State Department of Finance (DOF)

ANALYSIS:

The methodology used to determine the City's Appropriations Limit is to multiply the inflation and population adjustment factors by the prior year's Appropriations Limit. For Fiscal Year 2022-2023, the inflation and population figures provided by the DOF are as follows:

California Per Capita Income Percentage Change	7.55%
Orange County's Population Growth	-0.23%
City of Costa Mesa Population Growth	-0.70%

These percentages were converted to ratios of 1.0755 and 0.9977, respectively. Once the ratios are calculated, they are multiplied together to calculate the adjustment factor for Fiscal Year 2022-2023, which equals 1.0730. This factor is multiplied by the Fiscal Year 2021-2022 Appropriations Limit of \$267,363,952, for an Appropriations Limit for Fiscal Year 2022-2023 of \$286,881,520, as shown below:

CITY OF COSTA MESA
CALCULATION OF APPROPRIATIONS LIMIT
FOR FY 2022-2023

Step 1	Appropriations Limit for FY 2021-22	\$267,363,952
Step 2	Multiplication factors for changes in the California per capita personal income and the population change for Orange County	1.0730
	Appropriations Limit for FY 2022-23	\$286,881,520

CUMULATIVE
GROWTH
FACTORS:

Personal Income Factor (7.55)	1.0755
Orange County Population Change (-0.23%)	0.9977
Costa Mesa Population Change (-0.70%)	0.9930
*(1.0755 x 0.9977)	<u>1.0730</u>
=	

* The City has the option to utilize the larger of the annual percentage change of the City or County.

The total estimated revenues generated from general tax proceeds for Fiscal Year 2022-2023 is \$141,175,153. This estimate is \$145.7 million less, or 50.8% below the Appropriations Limit for Fiscal Year 2021-2022.

ALTERNATIVES

No alternatives considered. Section 7910 of the California Government Code requires the City to establish an Appropriations Limit on an annual basis.

FISCAL REVIEW:

The City is \$145.7 million less, or 50.8% below the proposed Fiscal Year 2021-2022 Appropriations Limit. Therefore, the City is well within its Appropriations Limit established pursuant to Section 7910 of the California Government Code and will not exceed this limit during Fiscal Year 2022-2023.

LEGAL REVIEW:

The City Attorney's Office has reviewed and approved this report and the proposed resolution as to form.

CITY COUNCIL GOALS AND PRIORITIES:

This item supports the City Council goal: Achieving Long-Term Fiscal Sustainability through the continuous monitoring of allocated resources and expenditures.

CONCLUSION:

Staff recommends that City Council adopt Resolution 22-XX (Attachment 1) establishing the Fiscal Year 2022-2023 Appropriations Limit for the City of Costa Mesa at \$286,881,520, by using Orange County's growth for population adjustment, and the California per capita income growth for inflationary adjustment.