

INTER OFFICE MEMO

To: Administration & Finance Committee

Date: June 3, 2020

From: Erick Cheung, Chief Finance Officer

SUBJECT: Adoption of Gann Appropriations Spending Limitation for FY 2020-2021

Summary of Issues:

Pursuant to California Constitution Article XIII (B) (Proposition 4), public entities are required to conform to budgetary guidelines set forth in the Gann Initiative. The purpose of Article XIII (B) is to constrain fiscal growth in government by limiting the proceeds of taxes that may be appropriated each year. Each year's limit may be adjusted for increase in cost of living (*California per capita income*) and population. For special districts, if the district is located entirely within one county, the *county's population* change factor is to be used. That is the case with County Connection. The limit may also be changed in the event of a transfer of fiscal responsibility.

The California Revenue and Taxation Code, section 2227, mandates that the Department of Finance transmit an estimate of the percentage change in population to local governments. The Department of Finance also transmits the change in the cost of living, or price factor.

The formula for calculating the appropriations spending limit is:

1. Population percentage change x price increase/decrease factor=ratio of change
2. Ratio of change x 2019-20 spending limit = 2020-21 spending limit.

Based on the above formula, the spending limit for County Connection is:

1. Population percentage change x price increase/decrease factor=ratio of change
 $1.0026 \times 1.0373 = 1.0400$
2. Ratio of change x 2019-2020 spending limit =2020-2021 spending limit:
 $1.0400 \times \$78,313,902 = \$81,446,458$

Based on the above calculations, **the Gann appropriations spending limit for FY 2020-2021 is \$81,446,458** (Exhibit A). The actual County Connection non-federal appropriations budget for FY 2020-2021 is \$43,988,664, which is \$37,457,794 below the spending limitation.

Recommendation:

By State law, the County Connection Board of Directors must adopt an appropriations limitation. The staff recommends the A&F Committee approve Resolution 2020-023 to set the Gann appropriations spending limitation of \$81,446,458 for FY 2020-21 to the Board.

COMPUTATION OF GANN APPROPRIATIONS SPENDING LIMIT FOR FY 2021

Contra Costa County change in population		0.26	
Converted to a			
ratio	1.0026		
Percentage change in per capita personal income		3.73	
Converted to a			
ratio	1.0373		
 <i>Source: California Department of Finance</i>			
Ratio of change:			
	1.0026 x 1.0373 =	1.04	(1)
FY 2020 appropriations limit		<u>\$78,313,902</u>	(2)
FY 2021 appropriations limit		\$81,446,458	(1)*(2)
FY 2021 operating budget	\$44,456,064		
Less expenses paid by federal monies	<u>-\$1,214,400</u>		
	\$43,241,664		
FY 2021 capital budget	\$747,000		
Less expenses paid by federal monies	<u>\$0</u>		
	\$747,000		
Operating and capital appropriation		<u>\$43,988,664</u>	
Under limit		<u><u>\$37,457,794</u></u>	



May 2020

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2020, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2020-21. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2020-21 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. The code section and the California Constitution can be accessed at the following website: <http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. California Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2020.**

Please Note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data. Given the stay-at-home orders due to COVID-19, growth in the coming years may be substantially lower than recent trends.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

KEELY MARTIN BOSLER
Director
By:

VIVEK VISWANATHAN
Chief Deputy Director

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2020-21 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2020-21	3.73

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2020-21 appropriation limit.

2020-21:

Per Capita Cost of Living Change = 3.73 percent
 Population Change = 0.22 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.73 + 100}{100} = 1.0373$

Population converted to a ratio: $\frac{0.22 + 100}{100} = 1.0022$

Calculation of factor for FY 2020-21: $1.0373 \times 1.0022 = 1.0396$

Fiscal Year 2020-21

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2019 to January 1, 2020 and Total Population, January 1, 2019

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2019-2020	1-1-19	1-1-20	1-1-2020
Contra Costa				
Antioch	0.09	112,423	112,520	112,520
Brentwood	1.17	64,365	65,118	65,118
Clayton	-0.09	11,347	11,337	11,337
Concord	-0.22	130,435	130,143	130,143
Danville	-0.11	43,923	43,876	43,876
El Cerrito	0.41	24,852	24,953	24,953
Hercules	0.16	25,488	25,530	25,530
Lafayette	-0.16	25,644	25,604	25,604
Martinez	-0.85	37,424	37,106	37,106
Moraga	0.04	16,939	16,946	16,946
Oakley	1.15	41,979	42,461	42,461
Orinda	0.52	18,911	19,009	19,009
Pinole	-0.30	19,563	19,505	19,505
Pittsburg	1.03	73,565	74,321	74,321
Pleasant Hill	-0.06	34,286	34,267	34,267
Richmond	0.38	110,793	111,217	111,217
San Pablo	-0.22	31,481	31,413	31,413
San Ramon	1.24	82,100	83,118	83,118
Walnut Creek	-0.14	70,958	70,860	70,860
Unincorporated	0.06	174,061	174,173	174,257
County Total	0.26	1,150,537	1,153,477	1,153,561

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

RESOLUTION NO. 2020-023

**BOARD OF DIRECTORS
CENTRAL CONTRA COSTA TRANSIT AUTHORITY
STATE OF CALIFORNIA**

* * *

ADOPT AN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020-21

WHEREAS, the County of Contra Costa and the Cities of Clayton, Concord, the Town of Danville, Lafayette, Martinez, the Town of Moraga, Orinda, Pleasant Hill, San Ramon and Walnut Creek (hereinafter "Member Jurisdictions") have formed the Central Contra Costa Transit Authority ("CCCTA"), a joint exercise of powers agency created under California Government Code Section 6500 *et seq.*, for the joint exercise of certain powers to provide coordinated and integrated public transportation services within the area of its Member Jurisdictions;

WHEREAS, Government Code Section 7910 requires the CCCTA to adopt an appropriations limit for each fiscal year;

WHEREAS, Government Code Section 7910 requires that, fifteen (15) days prior to adoption of the CCCTA appropriations limit, documentation used in determination of the limit, and other necessary determinations, shall be available to the public;

WHEREAS, CCCTA staff has prepared the appropriations limit documentation (attached hereto and marked Exhibit A) which has been made available to the public for review more than fifteen (15) days prior to the date this resolution was scheduled for consideration by the Board.

NOW, THEREFORE, IT IS HEREBY RESOLVED by the CCCTA Board of Directors that pursuant to Article XIII B of the California State Constitution and SB 1352 (1980 Stats.), the appropriations limit for the Central Contra Costa Transit Authority shall be \$81,446,458, which shall be applicable to fiscal year 2020-21 as set forth in the attached appropriations limit documentation.

Regularly passed and adopted this 18th day of June, 2020 by the following vote:

AYES:

NOES:

ABSTAIN:

ABSENT:

Candace Andersen, Chair, Board of Directors

ATTEST:

Lathina Hill, Clerk to the Board