

Regular Meeting/Budget Hearing

June 20, 2024

FRESNO CITY COUNCIL



Supplement Packet

ITEM(S)

9:00 A.M. Resumed Budget Hearings – Vote on Final Budget

D (ID 24-832) - *RESOLUTION - FY 2025 GANN Appropriation Limit Resolution.** (Subject to Mayor's Veto)

**Contents of Supplement: Staff Report
GANN Resolution**

Item(s)

Supplemental Information:

Any agenda related public documents received and distributed to a majority of the City Council after the Agenda Packet is printed are included in Supplemental Packets. Supplemental Packets are produced as needed. The Supplemental Packet is available for public inspection in the City Clerk's Office, 2600 Fresno Street, during normal business hours (main location pursuant to the Brown Act, G.C. 54957.5(2)). In addition, Supplemental Packets are available for public review at the City Council meeting in the City Council Chambers, 2600 Fresno Street. Supplemental Packets are also available on-line on the City Clerk's website.

Americans with Disabilities Act (ADA):

The meeting room is accessible to the physically disabled, and the services of a translator can be made available. Requests for additional accommodations for the disabled, sign language interpreters, assistive listening devices, or translators should be made one week prior to the meeting. Please call City Clerk's Office at 621-7650. Please keep the doorways, aisles and wheelchair seating areas open and accessible. If you need assistance with seating because of a disability, please see Security.

2024 JUN 19 P 6:02
CITY OF FRESNO
CITY CLERK'S OFFICE

RECEIVED

REPORT TO THE CITY COUNCIL

FROM: HENRY FIERRO, Budget Director
Budget and Management Studies Department

BY: PEDRO RIVERA, Budget Manager
Budget and Management Studies Department

SUBJECT

..Title

FY 2025 GANN APPROPRIATION LIMIT RESOLUTION

..Body

RECOMMENDATION

It is recommended that the Council adopt the attached resolution which selects Per Capita Personal Income and City population as the factors to be used in calculating the FY 2025 appropriations limit (Method A). This method appears to give the City the most flexibility in terms of an adjusted spending limit.

EXECUTIVE SUMMARY

State law requires the City to adopt an annual appropriations limit, otherwise known as the Gann Limit, in conjunction with the adoption of the budget. The new limit amount is calculated by applying the growth rates in population and per capita personal income to the previous fiscal years limit amount. Staff has prepared two Gann Limit levels which both meet the legal standards for calculation. Staff is recommending that Council adopt the level which will give the City the greatest difference between FY 2025 enacted appropriations and the calculated FY 2025 Gann Limit.

BACKGROUND

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The proposition created Article XIII B of the State Constitution, placing limits on the amount of revenue that can be spent by all entities of government. Proposition 4 became effective for the 1980-81 fiscal year, but the formula for calculating the limits was based on the 1978-79 "base year" revenues.

Appropriations backed by tax revenues collected by all funds within the City are subject to measurement against the City's calculated Gann Limit. Since the General Fund is the primary recipient of tax revenue, a rough estimate of the appropriations subject to that limit can be calculated by summing all tax revenue (property tax, sales tax, etc.) that the General Fund receives. On a local level, the City of Fresno has never exceeded its appropriations limit. Indeed, the City's appropriations subject to the limit has, in the years since Proposition 4 was approved, never exceeded 65% of the calculated limit. However, in order to address an increasing number of complaints about the restrictions of Proposition 4 and to increase the accountability of local governments in adopting their limits, the voters approved Proposition 111 in June 1990. Among other things, Proposition 111 alters the methodology outlined in Proposition 4 for determining the appropriations limit. It also requires an annual vote of the City Council on which adjustment factors will be used in determining the particular fiscal year's appropriation limit.

Under Proposition 111, the factors used to determine each year's limit were modified to be: 1) Either the California Per Capita Income or the percentage change in the local assessment roll from the preceding year

due to the addition of local non-residential construction in the City, and 2) Either the City's own population growth or the population growth of the entire County.

Additionally, Article XIIB requires the appropriations limit be adjusted permanently whenever there is a transfer of financial responsibility between two or more government agencies. One example of this would be the booking fees and fees for Property Tax administration that the City is required to pay under Senate Bill No. 2557 (1990).

ENVIRONMENTAL FINDINGS

This item is not a project for the purpose of the California Environmental Quality Act.

LOCAL PREFERENCE

N/A

FISCAL IMPACT

By approving the Gann limit that selects Per Capita Income and City Population, the City Council is adopting the FY 2024-2025 Gann limit that provides the City with the most flexible spending limit.

Attachment:
GANN Resolution

RESOLUTION NO. _____

A RESOLUTION OF THE COUNCIL OF THE CITY OF
FRESNO, CALIFORNIA, SELECTING METHOD TO
DETERMINE GANN APPROPRIATION LIMIT, RELATING
TO THE FISCAL YEAR 2024-2025 CITY BUDGET

WHEREAS, In November 1979, Proposition 4 (the Gann Initiative) was approved, which added Article XIII B to the State Constitution, placing limits on the amount of revenue that all government entities may spend; and

WHEREAS, the purpose of Proposition 4 was to limit the growth in the appropriations of state and local governments to changes in the per capita income and population in order to control spending levels (the Gann Limit); and

WHEREAS, Proposition 4 requires the City to adopt an annual appropriations limit in conjunction with the adoption of the City's annual budget; and

WHEREAS, the Gann Limit is calculated by applying the growth rates in population and per capita income to the previous fiscal year's limit amount; and

WHEREAS, staff has prepared two alternative methods, shown in Attachment A, for calculating the Gann Limit, each of which complies with Proposition 4, as amended.

NOW, THEREFORE, BE IT RESOLVED by the Council of the City of Fresno as follows:

1. In conjunction with the adoption of the FY 2024-2025 annual budget, the Council adopts Per Capita Personal Income and County population, shown as Method A in Attachment A, as the factors for the purpose of determining the City's FY 2024-2025 Gann Limit.

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval:



Resolution No.

STATE OF CALIFORNIA)
COUNTY OF FRESNO) ss.
CITY OF FRESNO)

I, TODD STERMER, City Clerk of the City of Fresno, certify that the foregoing resolution was adopted by the Council of the City of Fresno, at a regular meeting held on the ____ day of _____, 2024.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2024
Mayor Approval/No Return: _____, 2024
Mayor Veto: _____, 2024
Council Override Vote: _____, 2024

TODD STERMER, CMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
ANDREW JANZ
City Attorney

BY: _____
Brandon M. Collet Date
Chief Assistant City Attorney

COMPUTATION OF SPENDING LIMIT METHOD A or B FOR 2025

GANN CALCULATION

Fiscal Year 2025

Method A

Using: 1) Percent change in Per Capita Personal Income
2) Percent change in City Population

Beginning Balance	\$ 792,628,147
Adjustment	0
Beginning Balance	\$ 792,628,147
Per Capita Income Change Ratio	1.0362
City Population Growth Ratio	1.0071
FY 2024-2025 Factor	1.04355702
Appropriations Limit Fiscal Year 2025	\$ 827,152,667
Net Annual Adjustment in Dollars	34,524,520

GANN CALCULATION

Fiscal Year 2025

Method B

Using: 1) Percent change in Per Capita Personal Income
2) Percent change in County Population

Beginning Balance	\$ 792,628,147
Adjustment	0
Beginning Balance	\$ 792,628,147
Per Capita Income Change Ratio	1.0362
County Population Growth Ratio	1.0069
FY 2024-2025 Factor	1.04334978
Appropriations Limit Fiscal Year 2025	\$ 826,988,403
Net Annual Adjustment in Dollars	34,360,256

Source: May 2024, State of California, Department of Finance letter	
Per Capital Personal Income Change Over Prior Year	3.62%
County Population Growth	0.69%
City Population Growth	0.71%

