



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.

COUNCIL MEETING 6/25/2020

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

June 25, 2020

FROM: Henry Fierro, Budget Manager
Budget and Management Studies

BY: PEDRO RIVERA, Principal Budget Analyst
Budget and Management Studies

SUBJECT: FY 2021 GANN APPROPRIATION LIMIT RESOLUTION

RECOMMENDATIONS

It is recommended that the Council adopt the attached resolution which selects Per Capita Personal Income and County population as the factors to be used in calculating the FY 2021 appropriations limit (Method B). 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 2021 enacted appropriations and the calculated FY 2021 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 XIIIB 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.

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 2020-2021 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 2020-2021 annual budget, the Council adopts Per Capita Personal Income and County population, shown as Method B in Attachment A, as the factors for the purpose of determining the City's FY 2020-2021 Gann Limit.

CLERK'S CERTIFICATION

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

I, YVONNE SPENCE, 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 _____, 2020.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2020
Mayor Approval/No Return: _____, 2020
Mayor Veto: _____, 2020
Council Override Vote: _____, 2020

YVONNE SPENCE, MMC
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
DOUGLAS T. SLOAN
City Attorney

BY: _____
Raj Singh Badhesha Date
Senior Deputy City Attorney

COMPUTATION OF SPENDING LIMIT METHOD A or B FOR 2021

GANN CALCULATION

Fiscal Year 2021
Method A

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

Beginning Balance \$ 631,782,295
Adjustment 0

Beginning Balance \$ 631,782,295

Per Capita Income Change Ratio

1.0373

City Population Growth Ratio

1.0069

FY 2020-2021 Factor

1.04445737

Appropriations Limit Fiscal Year

2021 \$ 659,869,674

Net Annual Adjustment in Dollars 28,087,379

GANN CALCULATION

Fiscal Year 2021
Method B

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

Beginning Balance \$ 631,782,295
Adjustment 0

Beginning Balance \$ 631,782,295

Per Capita Income Change Ratio

1.0373

County Population Growth Ratio

1.0081

FY 2020-2021 Factor

1.04570213

Appropriations Limit Fiscal Year

2021 \$ 660,656,091

Net Annual Adjustment in Dollars 28,873,797

Source: May 2020, State of California, Department of Finance letter

Per Capital Personal Income Change Over Prior Year

3.73%

County Population Growth

0.81%

City Population Growth

0.69%

