

Budget Hearings

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FRESNO CITY COUNCIL

CITY OF FRESNO
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Supplement Packet

ITEM(S)

D. (ID 25-829) - *RESOLUTION - Adopt the FY 2026 GANN**

Appropriation Limit Resolution (Subject to Mayor's Veto)

Contents of Supplement: Staff Report, GANN Resolution and GANN Limit Calculation 2026

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.

REPORT TO THE CITY COUNCIL

FROM: SANTINO DANISI, MBA, Controller/Director
Finance Department

BY: EDWARD CHINEVERE, MBA, Assistant Director, Budget
Budget and Management Studies Department

PEDRO RIVERA, Budget Manager
Budget and Management Studies Department

SUBJECT

..Title

***RESOLUTION – Adopt Fiscal Year 2025-2026 GANN Appropriation Limit Resolution. (Subject to Mayor's Veto)

..Body

RECOMMENDATION

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 2026 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 2026 enacted appropriations and the calculated FY 2026 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 (1990).

ENVIRONMENTAL FINDINGS

By the definition provided in the California Environmental Quality Act Guidelines Section 15378 this item does not qualify as a "project" and is therefore exempt from the California Environmental Quality Act requirements.

LOCAL PREFERENCE

Local preference is not applicable because this Resolution does not include a bid or award of a construction or service contract.

FISCAL IMPACT

By approving the Gann limit that selects Per Capita Income and City Population, the City Council is adopting the FY 2025-2026 Gann limit that provides the City with the most flexible spending limit.

Attachment:

GANN Resolution

GANN Limit Calculation 2026

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 2025-2026 CITY BUDGET

WHEREAS, in November 1979, Proposition 4 (the Gann Initiative) was approved, which added Article XIIIB 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 Fiscal Year 2025-2026 annual budget, the Council adopts Per Capita Personal Income and County Population, shown as Method B in Attachment A attached hereto, as the factors for the purpose of determining the City's Fiscal Year 2025-2026 Gann Limit.

2. This resolution shall be effective upon final approval.

1 of 2

Date Adopted:

Date Approved:

Effective Date:

City Attorney Approval: SS

516038v1

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 _____, 2025.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2025
Mayor Approval/No Return: _____, 2025
Mayor Veto: _____, 2025
Council Override Vote: _____, 2025

TODD STERMER, MMC
City Clerk

BY: _____
Deputy Date

APPROVED AS TO FORM:
ANDREW JANZ
City Attorney

BY: _____
Sukhman S. Sekhon Date
Deputy City Attorney

Attachment: A – Gann Limit Calculation 2026

COMPUTATION OF SPENDING LIMIT METHOD A or B FOR 2026

GANN CALCULATION

Fiscal Year 2026

Method A

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

Beginning Balance	\$ 827,152,667
Adjustment	<u>0</u>
Beginning Balance	<u>\$ 827,152,667</u>
Per Capita Income Change Ratio	1.0644
City Population Growth Ratio	<u>1.0077</u>
FY 2025-2026 Factor	<u>1.07259588</u>
Appropriations Limit Fiscal Year 2026	<u>\$ 887,200,543</u>
Net Annual Adjustment in Dollars	60,047,876

Source: May 2025, State of California, Department of Finance letter

Per Capital Personal Income Change Over Prior Year	6.44%
County Population Growth	0.84%
City Population Growth	0.77%

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GANN CALCULATION

Fiscal Year 2026

Method B

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

Beginning Balance	\$ 827,152,667
Adjustment	<u>0</u>
Beginning Balance	<u>\$ 827,152,667</u>
Per Capita Income Change Ratio	1.0644
County Population Growth Ratio	<u>1.0084</u>
FY 2025-2026 Factor	<u>1.07334096</u>
Appropriations Limit Fiscal Year 2026	<u>\$ 887,816,838</u>
Net Annual Adjustment in Dollars	60,664,171