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REPORT TO THE CITY COUNCIL

June 23, 2016

FROM: JANE SUMPTER, Budget Manager
Budget and Management Studies

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

SUBJECT

FY 2017 Gann Appropriation Limit Resolution

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 2017 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 2017 enacted appropriations and the calculated FY 2017 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 XIII B 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.

Attachment(s):

GANN Staff Report_Signature

GANN Resolution_Signature