

Agenda Item: 8:30 a.m. C - Budget

Date: 6/21/2013

# FRESNO CITY COUNCIL



## Supplemental Information Packet

Supplemental Packet Date: June 20, 2013

### Item(s)

Adoption of the fiscal year 2014 GANN Appropriation Limit Resolution

**RESOLUTION** – Selecting method to determine GANN appropriation limit, relating to the fiscal year 2013-2014 City budget

#### **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.

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REPORT TO THE CITY COUNCIL

AGENDA ITEM NO. 8:30 a.m. C

COUNCIL MEETING 06/21/13

APPROVED BY

DEPARTMENT DIRECTOR

CITY MANAGER

June 21, 2013

FROM: JANE SUMPTER, Budget Manager  
Budget and Management Studies Division

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

SUBJECT: FY 2014 GANN APPROPRIATION LIMIT RESOLUTION

**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 2014 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 consumer prices 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 2014 enacted appropriations and the calculated FY 2014 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 forced to pay under Senate Bill No. 2557.

Attachment A

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 2013-2014 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 cost of living 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 consumer prices 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 2013-2014 annual budget, the Council adopts Per Capita Personal Income and City population, shown as Method A in Attachment A, as the factors for the purpose of determining the City's FY 2013-2014 Gann Limit.

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Date Adopted:  
Date Approved:  
Effective Date:  
City Attorney Approval:

TNP

Resolution No. \_\_\_\_\_

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 \_\_\_\_\_, 2013.

AYES :  
NOES :  
ABSENT :  
ABSTAIN :

Mayor Approval: \_\_\_\_\_, 2013  
Mayor Approval/No Return: \_\_\_\_\_, 2013  
Mayor Veto: \_\_\_\_\_, 2013  
Council Override Vote: \_\_\_\_\_, 2013

YVONNE SPENCE, CMC  
City Clerk

BY: \_\_\_\_\_  
Deputy

APPROVED AS TO FORM:  
CITY ATTORNEY'S OFFICE

BY: \_\_\_\_\_  
Tracy N. Parvanian, Deputy City Attorney

Date Adopted:  
Date Approved:  
Effective Date:  
City Attorney Approval: \_\_\_\_\_

Resolution No. \_\_\_\_\_

## COMPUTATION OF SPENDING LIMIT SELECTING METHOD A or B FOR 2014

### GANN CALCULATION

Fiscal Year 2014

Method A (Recommended Method)

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

<b>Beginning Balance</b>	\$	457,849,695
<b>Adjustment*</b>		<u>12,880</u>
<b>Beginning Balance</b>	\$	<u>457,862,575</u>
<b>Per Capita Income Change Ratio</b>		1.0512
<b>City Population Growth Ratio</b>		<u>1.0092</u>
<b>FY 2013-2014 Factor</b>		<u>1.06087104</u>
<b>Appropriations Limit Fiscal Year 2014</b>	\$	<u><u>485,733,146</u></u>
<b>Net Annual Adjustment in Dollars</b>		27,870,571

Source: May 2013, State of California, Department of Finance letter

<b>Per Capital Personal Income Change Over Prior Year</b>	5.12%
<b>County Population Growth</b>	0.88%
<b>City Population Growth</b>	0.92%

### GANN CALCULATION

Fiscal Year 2014

Method B (Alternative Calculation)

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

<b>Beginning Balance</b>	\$	457,849,695
<b>Adjustment*</b>		<u>12,880</u>
<b>Beginning Balance</b>	\$	<u>457,862,575</u>
<b>Per Capita Income Change Ratio</b>		1.0512
<b>County Population Growth Ratio</b>		<u>1.0088</u>
<b>FY 2013-2014 Factor</b>		<u>1.06045056</u>
<b>Appropriations Limit Fiscal Year 2014</b>	\$	<u><u>485,540,624</u></u>
<b>Net Annual Adjustment in Dollars</b>		27,870,571

Source: May 2012, State of California, Department of Finance letter

<b>Per Capital Personal Income Change Over Prior Year</b>	5.12%
<b>County Population Growth</b>	0.88%
<b>City Population Growth</b>	0.92%

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