



REPORT TO THE CITY COUNCIL

AGENDA ITEM NO.	1	N
COUNCIL MEETING	03/24/09	

APPROVED BY

Renena Smith
DEPARTMENT DIRECTOR

CITY MANAGER

March 24, 2009

FROM: R. RENENA SMITH, Budget Director
Budget and Management Studies Division

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

SUBJECT: ADOPT A RESOLUTION OF THE COUNCIL OF THE CITY OF FRESNO AMENDING THE
FY 2009 GANN LIMIT

Key Result Area

Resource Management

RECOMMENDATION

Staff recommends that the Council Adopt the attached amended Gann Limit resolution which selects the Per Capita Personal Income and County population as the factors to be used in calculating the FY 2009 appropriations limit (Method B).

EXECUTIVE SUMMARY

The Budget Management & Studies Division has discovered a needed revision to the GANN Limit calculation and is submitting an amended GANN Limit calculation addressing the issue. The Adoption of the amended GANN Limit will have no impact to general fund operation as the City's adopted appropriations are far below the sending limit and have never exceeded 65 percent.

This is a house keeping item to assure that the future GANN calculations are using the appropriate base.

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 percent of the calculated limit.

However, in order to deal with 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.

The FY 2009 GANN Limit approved by Council, during adoption, was \$414,618,128. Based on the current methodology the amount should have been \$411,101,393. Since Adopted General Fund appropriations are only \$253,433,000 the City is well below the limit. Staff is recommending the amendment to assure that future calculations are using the appropriate base as a starting point.

Fiscal Impact

There is no fiscal impact.

Attachment A

**COMPUTATION OF SPENDING LIMIT
SELECTING METHOD B FOR 2009**

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

Adopted Method	Fiscal Year	Population as of	City Population	County Population	(2)	(1)	Factor	Previous Years' Spending Limit	Adjusted Spending Limit
					Percent*	Per Capita Change			
Method A	91-92	1/1/91	367,664	686,727					
Method A	92-93	1/1/92	382,349	713,248	3.82%	-0.64%	1.0316		172,709,236
Method A	93-94	1/1/93	391,646	732,797	2.75%	2.72%	1.0554	172,709,236	182,285,618
Method A	94-95	1/1/94	402,122	754,712	2.34%	0.71%	1.0307	182,285,618	187,875,614
Method A	95-96	1/1/95**	395,470	745,100	1.54%	4.72%	1.0633	187,875,614	199,773,190
Method A	96-97	1/1/96	400,884	757,363	1.24%	4.67%	1.0597	199,773,190	211,695,471
Method A	97-98	1/1/97	406,937	771,137	1.51%	4.67%	1.0625	211,695,471	224,927,532
Method A	98-99	1/1/98	411,611	781,632	1.40%	4.15%	1.0561	224,927,532	237,541,693
Method A	99-00	1/1/99	415,381	793,766	1.54%	4.53%	1.0614	237,541,693	252,126,188
Method A	00-01	1/1/00	420,600	805,000	1.80%	4.91%	1.0680	252,126,188	269,266,684
Method A	01-02	1/1/01	435,662	808,131	1.80%	7.82%	1.0976	269,266,684	295,549,159
Method A	02-03	1/1/02	441,870	821,465	1.42%	-1.27%	1.0013	295,549,159	295,939,183
Method A	03-04	1/1/03	448,453	841,423	1.49%	2.31%	1.0383	295,939,183	307,286,140
Method A	04-05	1/1/04	456,100	862,600	1.71%	3.28%	1.0504	307,286,140	322,776,821
Method A	05-06	1/1/05	464,727	883,537	1.89%	5.26%	1.0725	322,776,821	346,181,247
Method A	06-07	1/1/06	471,479	894,134	1.45%	3.96%	1.0547	346,181,247	365,118,853
Method B	07-08	1/1/07	481,035	911,382	1.93%	4.42%	1.0643	365,118,853	388,611,622
Method B	08-09	1/1/08	486,064	924,466	1.44%	4.29%	1.0579	388,611,622	411,101,393

Alternative method not recommend for FY 2009

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

Method	Fiscal Year	Population as of	City Population	County Population	(2)	(1)	Factor	Previous Years' Spending Limit	Adjusted Spending Limit
					Percent*	Per Capita Change			
Method A	08-09	1/1/08	486,064	924,466	1.05%	4.29%	1.0538	388,611,622	409,520,108

* Percentage change column reflects the percentage change of the population for the selected method of the Adopting Fiscal Year.

** Population figures were revised by the State. The percentage increase remained the same.

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 2008-2009 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 2008-2009 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 2008-2009 Gann Limit.

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

I, REBECCA E. KLISCH, 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 _____, 2009.

AYES :
NOES :
ABSENT :
ABSTAIN :

Mayor Approval: _____, 2009
Mayor Approval/No Return: _____, 2009
Mayor Veto: _____, 2009
Council Override Vote: _____, 2009

REBECCA E. KLISCH
City Clerk

BY: _____
Deputy

APPROVED AS TO FORM:
CITY ATTORNEY'S OFFICE

BY: _____
Chief Assistant City Attorney