

TO: Andrew P. Powers, City Manager

FROM: Jaime Boscarino, Finance Director

DATE: June 20, 2023

SUBJECT: Annual Gann Appropriations Limit

RECOMMENDATION:

1. Adopt resolution approving the Annual Gann Appropriations Limit calculation, setting City of Thousand Oaks' Gann Limit at \$219,559,478 for FY 2023-24.
2. Find that this action is not a project as defined under the California Environmental Quality Act (CEQA).

FINANCIAL IMPACT:

No Additional Funding Requested. Minimal staff time to complete the Gann Appropriations Limit calculation, which is included in the Adopted FY 2022-23 General Fund Budget.

BACKGROUND:

In California, the Gann Spending Limitation Initiative (Proposition 4) was approved by voters in November 1979. This Proposition set Appropriations Limits for state and local governments in California and established procedures for determining those limits annually. Each government entity is required to set its Appropriations Limit every fiscal year using 1978-79 as the base year; then adjusting each subsequent year by using a combination of the increase in population, plus the increase in Consumer Price Index (CPI) or per capita personal income, whichever is less.

Proposition 4 and its implementing legislation Chapter 1205/80 of the California Constitution were modified by Proposition 111 and SB 88 (Chapter 60/90). Beginning with the FY 1990-91 Appropriations Limit, the annual adjustment factors changed. Annually, the government entity can select the greater of growth in the California Per Capita Income, or growth in assessed valuation due to non-residential construction within the city. For the population factor, the entity can select the greater of population growth within the city or county.

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In compliance with Proposition 111, revised annual adjustment factors were applied to the base FY 1986-87 limit and each year in between in order to calculate limits for FY 1998-99. In addition, the limit can be adjusted for assumed responsibility from one government entity to another. County charges for administration fees for property tax collection were added to the FY 1991-92 Appropriation Limit.

Beginning in FY 1991-92, Proposition 111 allowed the exclusion of qualified capital outlays and qualified debt service, when calculating appropriations subject to the Gann Limit.

In FY 2021-22, California Government Code section 7903 was amended to require cities to include specific state subventions (unrestricted money received by a local agency from the state) within its appropriation limits. Subdivision (c) of the Government Code states that the specific amount attributed to the subventions in excess of the limit must be reported to the Department of Finance. The City does not have reportable state subventions for FY 2023-24. Gann limitation calculations for all fiscal years since FY 1982-83 are included in Attachment #1.

DISCUSSION/ANALYSIS:

The City established its Appropriations Limit for FY 1978-79 and for each subsequent fiscal year, except FY 1979-80, when one was not required. The Gann Appropriations Limit applicable to the City, pursuant to Article XIII B of the California State Constitution, shall be \$219,559,478 where actual appropriations subject to the limit equal \$102,590,013.

The Gann Appropriations Limit consists of the prior year's limit, adjusted by a population factor and an inflationary factor. For the population factor, the City has the option of selecting the larger percentage change between either the City's or the County's percentage change in population, as provided by the State's Department of Finance. For FY 2023-24, the City used the County's population percentage change of -0.72 percent compared to the City's -1.18 percent. For the inflationary factor, the City has the option of selecting the larger percentage change between either the change in per capita personal income provided by the State or the net change in the assessed valuation due to non-residential new construction provided by the City's property tax consultant. For FY 2023-24, the City used the change in per capita personal income of 4.44 percent compared to the net change in the assessed valuation of 2.37 percent for the calculation of the Gann Appropriations Limit.

Staff recommends adoption of the resolution (Attachment #2) to approve the City's Annual Gann Appropriations Limit calculation.

COUNCIL GOAL COMPLIANCE:

Meets the following City Council goal:

C. Operate City government in a fiscally and managerially responsible and prudent manner to ensure that the City of Thousand Oaks remains one of California's most desirable places to live, work, visit, recreate, and raise a family.

PREPARED BY: Ryan Roman, Acting Budget Officer

Attachments:

Attachment #1 – Gann Limitation by Fiscal Year

Attachment #2 – Gann Resolution