



DATE: June 30, 2020
TO: Mayor and City Council
FROM: Director of Finance
SUBJECT: FY2021 Gann Appropriation Limit: Adopt a Resolution Establishing a Gann Appropriations Limit for Fiscal Year 2021

RECOMMENDATION

That Council adopts a resolution (Attachment II) establishing a Gann appropriations limit for Fiscal Year 2021.

SUMMARY

Each fiscal year, the City is required to calculate and establish its appropriations limit. The Gann Limit for FY 2021 is calculated at \$342,711,363, and the appropriations subject to limit total is \$108,563,100.

BACKGROUND

State Proposition 4, commonly known as the Gann Initiative, was approved by California voters in November 1979. Proposition 4 created Article XIII B of the State Constitution, which places limits on the amount of revenue that can be spent by government agencies. This is referred to as the Gann Appropriation Limit, or Gann Limit.

A subsequent related State Initiative, Proposition 111, was approved by the voters in June 1990 and provided new adjustment formulas to make the Gann Limit more responsive to local growth issues and to address concerns regarding the accountability of local governments in adopting their limits. Prior to each fiscal year, city councils must adopt by resolution the Gann Appropriation Limit for the city for the upcoming year. In addition, cities are required to conduct a review of their limits during annual financial audits.

The appropriations limitation imposed by Propositions 4 and 111 creates a restriction on the amount of revenue that can be appropriated in any fiscal year. The limit is based on actual appropriations during the 1978-79 fiscal year and is increased each year using population and inflation growth factors. Only revenues that are classified as "proceeds of taxes" are subject to the limit. The use of "non-tax proceeds" (user fees, rental income, franchise fees, Gas Tax revenue) is not restricted.

DISCUSSION

During any fiscal year, a city may not appropriate any proceeds of taxes it receives in excess of its established limit. Excess funds received in any year may be carried into the subsequent year for use if the city is below its limit for that year. Any excess funds remaining after the second year would be required to be returned to local taxpayers by reducing tax rates or fees. As an alternative, a majority of the voters may approve an "override" to increase the city's appropriations limit.

Senate Bill 1352 requires that the governing body of each local jurisdiction shall, by a legislative action, establish its appropriations limit at a regularly scheduled or special meeting and that the documentation used in the determination of the appropriations limit shall be made available to the public fifteen days before that meeting. Government Code Section 7910 requires that the City adopt its appropriations limit prior to the beginning of each fiscal year.

The Finance Department of the City of Hayward compiles the data and makes calculations incident to the determination of the XIII B appropriations limit. The resolution establishes the appropriations limit FY 2021 to be \$342,711,363.

STRATEGIC ROADMAP

This agenda item is a routine operational item and does not relate to any of the projects outlined in the Council's Strategic Roadmap.

FISCAL IMPACT

There are no present fiscal impacts related to establishing the limit for FY 2021. The amount of appropriations subject to the limit is the budgeted proceeds of taxes (e.g., all taxes levied; transfers from an enterprise fund to the extent those transfers exceed the cost of providing the services; discretionary state subventions; interest earned from the investment of proceeds of taxes, etc.), and the total of these budgeted revenues cannot exceed the total appropriations limit.

The City's actual appropriations in each fiscal year have been significantly below the limit, as they will be for FY 2021. The table below summarizes the limit for FY 2021 and the preceding five years.

	Appropriations Limit	Appropriations Subject to Limit
FY 2016	269,880,304	103,998,849
FY 2017	287,387,229	107,969,124
FY 2018	300,941,937	108,609,975
FY 2019	314,607,193	121,761,732
FY 2020	329,169,966	133,271,670
FY 2021	342,711,363	108,563,100

PUBLIC CONTACT

The amount of the Fiscal Year 2021 appropriations limit and the documentation substantiating this determination are available for review by the public by contacting the Office of the City Clerk.

Prepared by: Nicole Gonzales, Deputy Director of Finance
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Recommended by: Dustin Claussen, Director of Finance

Approved by:

A handwritten signature in black ink, appearing to read 'K. McAdoo', is written over a horizontal line.

Kelly McAdoo, City Manager