



CITY OF HAYWARD

Hayward City Hall
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Cover Memo

File #: CONS 16-314, **Version:** 1

DATE: June 21, 2016

TO: Mayor and City Council

FROM: Director of Finance

SUBJECT

Gann Appropriations Limit for FY 2017

RECOMMENDATION

That City Council adopts a Resolution establishing an appropriations limit for Fiscal Year 2017.

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 by the Gann limit.

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 appropriation limit.

Senate Bill 1352 requires that 1) 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 amount of the Fiscal Year 2017 appropriations limit and the documentation substantiating this determination were available for review by the public in the Office of the City Clerk on or before June 1, 2016, at least fifteen days prior to adoption of the limit as required by statute.

FISCAL IMPACT

There are no present fiscal impacts related to establishing the limit for FY 2017. 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 Fiscal Year 2017. The table below summarizes the limit for FY 2017 and the preceding three years.

	Appropriations Limit	Appropriations Subject to Limit
FY 2014	253,404,723	83,291,71
FY 2015	256,614,221	87,400,38
FY 2016	269,880,304	103,998,84
FY 2017	287,387,229	107,969,12

Prepared and Recommended by: Dustin Claussen, Acting Director of Finance

Approved by:



Fran David, City Manager

Attachments:

- Attachment I Resolution
- Attachment II Historical Information Regarding Appropriations Limit Calculation