City of San Leandro

Meeting Date: June 20, 2016

Staff Report

File Number: 16-307 **Agenda Section:** CONSENT CALENDAR

Agenda Number: 8.H.

TO: City Council

FROM: Chris Zapata
City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: Staff Report Establishing the City's Appropriation Limit for Fiscal Year 2016-17

SUMMARY AND RECOMMENDATIONS

Staff recommends City Council approval of a resolution establishing the City's appropriation limit for fiscal year 2016-17. Staff has completed the calculations required for determining the City's appropriation limit for 2016-17, which is $203,693,435. Budget appropriations that are subject to the 2016-17 limitation total $95,593,423 which is $108,100,012 below the limit.

BACKGROUND

On November 6, 1979, California voters passed Proposition 4. Statutes clarifying certain provisions of the proposition are now codified in article XIIIB of the California Constitution. This Article is commonly known as the "Gann Initiative." The Initiative established constitutional spending limits allowable for California governmental agencies based on the Consumer Price Index and population growth. Concurrent with Proposition 4, the Revenue and Taxation Code, Section 7910, requires each local governmental unit to establish its appropriations limit by the beginning of each fiscal year.

Due to Gann's constraint on the ability of State and local governments to respond effectively to the demands of rapid growth in California, a legislative-business-labor coalition drafted and supported Proposition 111, which was adopted June 5, 1990. Proposition 111 makes crucial adjustments to the Gann Initiative, by allowing greater flexibility to operate in a growing economy, while retaining its purpose in placing a limit on government spending. The following are the changes Proposition 111 made to the Gann Initiative.

Prior law required spending limits to be tied to the Consumer Price Index or California Per Capita Personal Income growth factor, whichever was lower. The new provisions allow an agency to select the California Per Capita Personal Income growth factor or the Non-residential Property Assessed Valuation growth factor, whichever is higher. Cities may

choose to use the percentage rate of change in population within the city or county, whichever is higher.

ANALYSIS

The Appropriation Limit for prior fiscal years was predominantly based on the county population factor multiplied by the assessed valuation change factor. After the passage of Proposition 111, cities are able to use the higher of the population factors (city or county) and the higher of the California per capita personal income factor or the Non-residential property assessed valuation growth factor. This amended approach has been retroactively applied to fiscal years 1990-91 through 2010-11 to recalculate the ending limits. The revised calculations will continue to be applied in subsequent years.

For fiscal year 2016-17 staff is using the County Population Growth factor of 1.06% multiplied by the State of California per Capita Income factor 5.37% since Alameda County's population factor is higher than the City of San Leandro's population factor of 0.56%. Similarly, the State of California per Capita Income factor is higher than the City's non-residential new construction growth factor of 0.06%. The non-residential assessed valuation factor for 2015-16 included "new construction" of $42 million for Chill Build LLC (Preferred Freezer) which has been completed and no longer reflected under new construction.

The calculated 2015-16 Appropriation Limit of $191,284,931 multiplied by the adjustment factor of 1.0649 produces the 2016-17 Appropriation Limit of $203,693,435. A Resolution is attached which authorizes the new Appropriation Limit for next fiscal year and includes the calculation as Attachment 1. The actual budget subject to the limitation excludes self-supporting funds, capital improvement funds, capital outlay grant funds and specific exclusions such as the Gas Tax Fund. The fiscal year 2016-17 appropriation subject to the Gann Limit is $95,593,423 and is significantly below the Appropriation Limit by over $108 million.

Current City Council Policy

The Council adopts the appropriation limit during the budget adoption process.

Fiscal Impact

None. Impacts the City only if the appropriation limit is exceeded by the proposed fiscal year 2016-17 appropriation subject to limitation.

Attachments

- Attachment 1 - Gann Appropriation Limitation Calculation 2016-17

PREPARED BY: David Baum, Finance Director, Finance

City of San Leandro

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Resolution - Council

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Finance Director

FINANCE REVIEW: David Baum
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TITLE: RESOLUTION Establishing the City's Appropriation Limit for Fiscal Year 2016-17

Following availability of the documentation used in the determination of the Appropriation Limit pursuant to Section 7910 of the Government Code, this Council has reviewed and considered the data contained in Attachment 1 attached hereto and incorporated herein by this reference.

NOW, THEREFORE, pursuant to Section 7910 of the Government Code and Article XIII B of the California Constitution, the City Council does hereby establish the Appropriation Limit for Fiscal Year 2016-17 at $203,693,435 as more specifically set forth in Attachment 1.

ATTACHMENT 1

CITY OF SAN LEANDRO
GANN APPROPRIATION LIMITATION CALCULATION
Fiscal Year 2016-17

2015-16 Appropriation Limit	*a*	$	191,284,931
2016-17 Adjustment Factor	*b*		1.0649
2016-17 Appropriation Limit	*a x b=c*	$	203,693,435
2016-17 Appropriations Subject to Limitation	*d*	$	95,593,423
Percentage of Appropriation Limit Used in 2016-17	*d/c*		46.93%