



City of San Leandro

Meeting Date: June 5, 2017

Staff Report

File Number: 17-297

Agenda Section: CONSENT CALENDAR

Agenda Number: 8.J.

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 2017-18

SUMMARY AND RECOMMENDATIONS

Staff recommends City Council approval of a resolution establishing the City's appropriation limit for fiscal year 2017-18. Staff has completed the calculations required for determining the City's appropriation limit for 2017-18, which is \$218,570,233. Budget appropriations that are subject to the 2017-18 limitation total \$104,360,051 which is \$114,210,182 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 XIIB 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 State and local governments to respond effectively to the demands of rapid growth around 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 it the flexibility to operate in a growing economy, while retaining its purpose in placing a limit on government spending.

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 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 2017-18 staff is using the County Population Growth factor of 0.99% multiplied by the Non-residential assessed value factor 6.25% since the county's population factor is higher than the City of San Leandro's population factor of 0.45%. Similarly, the City's non-residential new construction growth factor of 6.25% is higher than the State of California per capita income factor of 3.69%. The non-residential assessed valuation factor for 2017-18 includes "new construction" of \$32 million for San Leandro Tech Campus (SLTC LLC) Phase I, 132,000 square foot office building and parking facility

The calculated 2016-17 Appropriation Limit of \$203,693,435 multiplied by the adjustment factor of 1.0730 produces the 2017-18 Appropriation Limit of \$218,570,233. A Resolution is attached which authorizes the new Appropriation Limit for next fiscal year and includes the Attachment 1 Calculation. 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 2017-18 appropriation subject to the Gann Limit is \$104,360,051 and is significantly below the Appropriation Limit by over \$114 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 2017-18 appropriation subject to limitation.

Attachments

- Attachment 1 - Gann Appropriation Limitation Calculation 2017-18

CONCLUSION

Staff recommends City Council approval of a resolution establishing the City's appropriation limit of \$218,570,233 for fiscal year 2017-18.

PREPARED BY: David Baum, Finance Director, Finance



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Resolution - Council

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TO: City Council

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City Manager

BY: David Baum
Finance Director

FINANCE REVIEW: David Baum
Finance Director

TITLE: RESOLUTION Establishing the City's Appropriation Limit for Fiscal Year
2017-18

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 2017-18 at \$218,570,233 as more specifically set forth in Attachment 1.

ATTACHMENT 1

**CITY OF SAN LEANDRO
GANN APPROPRIATION LIMITATION CALCULATION
Fiscal Year 2017-18**

2016-17 Appropriation Limit	<i>a</i>	\$	203,693,435
2017-18 Adjustment Factor	<i>b</i>		<u>1.0730</u>
2017-18 Appropriation Limit	<i>a x b=c</i>	\$	218,570,233
2017-18 Appropriations Subject to Limitation	<i>d</i>	\$	104,360,051
Percentage of Appropriation Limit Used in 2017-18	<i>d/c</i>		47.75%