



# City of San Leandro

Meeting Date: June 28, 2021

## Staff Report

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**File Number:** 21-330

**Agenda Section:** CONSENT CALENDAR

**Agenda Number:** 8.E.

**TO:** City Council

**FROM:** Fran Robustelli  
City Manager

**BY:** Susan Hsieh  
Finance Director

**FINANCE REVIEW:** Susan Hsieh  
Finance Director

**TITLE:** Staff Report for a City of San Leandro City Council Resolution Establishing the City's Appropriation Limit for Fiscal Year 2021-22

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### SUMMARY AND RECOMMENDATIONS

Staff recommends the City of San Leandro City Council approve a resolution establishing the City's appropriation limit for Fiscal Year (FY) 2021-22. Staff has completed the calculations required for determining the City's appropriation limit for FY 2021-22, which is \$279,001,412. Budget appropriations that are subject to the FY 2021-22 limitation total \$106,128,525 which is \$172,872,887 below the limit.

### BACKGROUND

On November 6, 1979, California voters passed Proposition 4 to limit governmental spending and taxation. Statutes clarifying certain provisions of the proposition are now codified in article XIII B of the California Constitution. This Article is commonly known as the "Gann Limit" after one of the measure's coauthors.

Due to the Gann Limit's constraint on 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 Limit, by allowing it the flexibility to operate in a growing economy, while retaining its purpose in placing a limit on government spending. While the law limits spending and taxation, it does allow for an increase to the Limit based on both population and personal income growth. The revised law allows agencies to select either the California Department of Finance's (CA DOF) Per Capita Personal Income growth factor or the non-residential property assessed valuation growth factor, whichever is higher. Both are published annually and distributed to local agencies for consideration. Additionally, cities may choose to use the percentage rate of change in population from their city or their county, whichever is higher.

For Fiscal Year 2021-22, the California Department of Finance's (DOF) Per Capita Personal Income growth rate of 5.73% is higher than the non-residential property assessed valuation rate of 2.06%. The County's population rate of -0.37% is more advantageous to the City than its own population change rate of -0.63%.

Concurrent with Proposition 4, the Revenue and Taxation Code, Section 7910, requires each local agency to establish its appropriations limit by the beginning of each fiscal year.

The law also requires governmental entities to factor appropriations from tax revenues into its Gann Limit calculation. The measure stipulates that exceeding the Limit requires agencies to lower tax liability for its residents. The City has never exceeded its Gann Limit.

## **ANALYSIS**

The calculation starts with the current year's Gann Limit, multiplies it by the per capita cost of living/non-residential property assessed valuation rate and population growth rate. Both the per capita cost of living and the population growth rates are then converted to a ratio to complete the calculation that establishes the City's new Gann Appropriations Limit.

For Fiscal Year 2021-22, staff used the Department of Finance's Per Capita Personal Income rate of 5.73% and the County's Population Growth rate of -0.37% to generate the Gann Limit calculation factor (or "adjustment factor") of 1.0534.

The 2020-21 Appropriation Limit of \$264,857,995 multiplied by the adjustment factor of 1.0534 produces the 2021-22 Appropriation Limit of \$279,001,412.

A Resolution is attached which authorizes the new Gann Appropriation Limit for this upcoming fiscal year and includes the "Attachment 1 Calculation". The fiscal year 2021-22 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 City's Fiscal Year 2021-22 appropriation subject to the Gann Limit is \$106,128,525, which is significantly below the legal limit allowed of \$279,001,412-a margin of over \$172 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 2021-22 appropriation subject to limitation.

## **CONCLUSION**

Staff recommends City Council approval of a resolution establishing the City's appropriation limit of \$279,001,412 for fiscal year 2021-22.

**PREPARED BY:** Scott Koll, Financial Services Manager



# City of San Leandro

Meeting Date: June 28, 2021

## Resolution - Council

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**File Number:** 21-331 **Agenda Section:** CONSENT CALENDAR

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**TO:** City Council

**FROM:** Fran Robustelli  
City Manager

**BY:** Susan Hsieh  
Finance Director

**FINANCE REVIEW:** Susan Hsieh  
Finance Director

**TITLE:** RESOLUTION of the the City of San Leandro City Council Establishing the City of San Leandro's Appropriation Limit for Fiscal Year 2021-22

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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 2021-22 at \$279,001,412 as more specifically set forth in Attachment 1.

**ATTACHMENT 1**

**CITY OF SAN LEANDRO  
GANN APPROPRIATION LIMITATION CALCULATION  
Fiscal Year 2021-22**

2020-21 Appropriation Limit	<i>a</i>	264,857,995
2021-22 Adjustment Factor	<i>b</i>	<u>1.0534</u>
2021-22 Appropriation Limit	<i>a x b=c</i>	\$ 279,001,412
2021-22 Appropriations Subject to Limitation	<i>d</i>	\$ 106,128,525
Percentage of Appropriation Limit Used in 2021-22	<i>d/c</i>	38.04%