



CITY OF GLENDALE, CALIFORNIA REPORT TO THE CITY COUNCIL

AGENDA ITEM

Report: Adoption of the City's FY 2024-25 Gann Appropriations Limit

1. Resolution Adopting FY 2024-25 Gann Appropriations Limit

COUNCIL ACTION

Item Type: Action Item

Approved for June 4, 2024 **calendar**

EXECUTIVE SUMMARY

The Gann Initiative established constitutional limits on the amount of tax revenue that may be appropriated by California governmental agencies in a given fiscal year. This limit is initially calculated using actual appropriations from a base year and then adjusted annually using a growth factor that takes into account changes in population and the cost of living. Based on staff's calculation, the FY 2024-25 Appropriations Limit for the City of Glendale is \$393,321,114 and the proposed appropriation subject to the Gann Initiative spending limit is \$264,731,922. Therefore, the City's Proposed FY 2024-25 Budget is in compliance with State of California spending limits as established in article XIIB of the California Constitution.

RECOMMENDATION

That the City Council approve the attached resolution adopting the City's FY 2024-25 Gann Appropriations Limit.

ANALYSIS

On November 6, 1979, California voters passed Proposition 4, commonly referred to as the "Gann Initiative". The Gann Initiative established constitutional limits on the amount of tax revenue that may be appropriated by California governmental agencies in a given fiscal year. This limit is initially calculated using actual appropriations from a base year and then adjusted annually using a growth factor that takes into account changes in population and the cost of living. Statutes clarifying the provisions of the Gann Initiative are now codified in article XIIB of the California Constitution, which provides the formula for calculating local government spending limits. In addition to Article XIIB, the Revenue and Taxation Code, Section 7910, requires each local governmental unit to establish its appropriations limit by the beginning of each fiscal year. In June 1989, California voters passed Proposition 111, which further improved procedural transparency for local governments setting annual appropriations limits. Among other things, Proposition 111 revised the base year used in calculating the Gann Appropriations Limit from 1979 to 1987 and simplified the formula used for calculating annual adjustments.

Each year, local governments must adjust their Appropriations Limit using two variables: the ***change in the cost of living*** and the ***change in population***. California state law allows a public entity to choose among different methods for calculating these two variables. A local government that is not a school or a college district may choose to define the ***change in the cost of living*** in either of two ways: (1) *the change in California's per capita personal income*, or (2) *the change in the jurisdiction's local assessment roll from the preceding year that is due to the addition of local non-residential new construction*.

Local governments also have two options for defining the ***change in population***: (1) *the percentage change in population within the City*, or (2) *the percentage change in population within the county where the city is located*. To ensure consistency and accuracy among jurisdictions, the Department of Finance is required to post an annual newsletter by May 1st that provides the percentage change in California's per capita personal income as well as data on population change for each city in the State. The City of Glendale utilizes this newsletter in computing its annual Appropriations Limit.

In calculating the City of Glendale's FY 2024-25 Gann Appropriations Limit, staff analyzed the four alternative methods for calculating the appropriations limit and elected to use the method that resulted in the most conservative appropriations limit. Based on this analysis, staff has once again elected to define the change in the cost of living as the change in the City's local assessment roll from the preceding year that is due to the addition of local non-residential new construction and to define the change in population as the percentage change in population within the City. The year over year change in the City's local assessment roll due to non-residential new construction has been 2.96% and the change in the City's population has been -0.25%. These percentages are each

converted to ratios using a state-mandated formula and then multiplied together to obtain an appropriations increase factor. The increase factor for FY 2024-25 is 1.0270. The Appropriations Limit for the upcoming year is finally calculated by multiplying this factor by the Appropriations Limit of the prior fiscal year.

Based on staff's calculation, the FY 2024-25 Appropriations Limit for the City of Glendale is \$393,321,114. The City's total proposed appropriation subject to the Gann Initiative spending limit (i.e., proceeds from taxes less state mandated exclusions) is \$264,731,922. Therefore, the City's Proposed FY 2024-25 Budget is in compliance with State of California spending limits as established in article XIII B of the California Constitution. The attached resolution will authorize the new Appropriations Limit for next fiscal year as required by the California Constitution and applicable State Law.

STAKEHOLDERS/OUTREACH

Not applicable.

FISCAL IMPACT

There is no fiscal impact associated with this report.

ENVIRONMENTAL REVIEW (CEQA/NEPA)

This item is considered a ministerial activity and therefore, not subject to CEQA review.

CAMPAIGN DISCLOSURE

This item is exempt from campaign disclosure requirements.

ALTERNATIVES TO STAFF RECOMMENDATION

The City Council may consider any other alternative not proposed by staff.

ADMINISTRATIVE ACTION**Submitted by:**

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Approved by:

Roubik R. Golanian, P.E., City Manager

EXHIBITS/ATTACHMENTS

Exhibit 1: City of Glendale – Gann Appropriations Limit – FY 2024-25 Proposed Budget