

SUBJECT: GANN Limit

DEPARTMENT: Finance and Information Systems

STAFF: Kerry Breen, Director of Finance and Information Systems
Sonia Agostini, Accounting Manager
Clarissa Domen, Accountant II

TITLE/RECOMMENDATION

Adopt a Resolution adopting the 2024/25 Proposition 4 (1979) Appropriations Limit, or GANN Limit, using the change in State per capita income factor of 3.62% as the cost-of-living factor and the change in the City population factor of 0.49% to calculate the Limit.

FISCAL IMPACT

None.

BACKGROUND

Article XIII B of the California State Constitution, more commonly referred to as the GANN Initiative, was approved via Proposition 4 by California voters on November 6, 1979. The goal of the GANN Limit ("Limit") was to slow the expenditure growth of governments in California. Under the Limit, a maximum cap was established for the amount of proceeds of taxes that state and local governmental agencies can appropriate each fiscal year. That cap was to be adjusted each year depending on changes in population and inflation. The Limit does not apply to enterprise funds or bond issues. The City is legally required to adopt a Limit prior to each fiscal year.

The Limit represents a cap on City expenditures that are funded by taxes. Since the General Fund is the primary recipient of tax revenue, a rough estimate of the City expenditures funded by taxes can be calculated by summing all tax revenue (property tax, sales tax, etc.) that the General Fund receives. The sum of these taxes is then compared to the Limit, and the City would not be permitted to receive and spend tax revenues in excess of the Limit amount.

The Limit is based on actual appropriations during the 1986/87 fiscal year, and is increased each year using the growth of population and inflation. In June 1990, the



CITY COUNCIL AGENDA ITEM NO. F.6
06/25/2024

voters approved Proposition 111, which provided new adjustment formulas that makes the Limit more responsive to local growth issues by using a change in State per capita income or a change in non-residential new construction instead of inflation. The annual adjustment made to the Limit is based on a formula which includes the following factors:

Change in City population	or	Change in population for the entire County
	AND	
Change in State per capita income	or	Change in non-residential new construction

Typically, an agency selects the factors, which provide for the largest growth in the Limit. For the calculation of the 2024/25 Limit, the percentage change in the City's population, with an increase of 0.49%, is used as it provides a greater Limit. The change in the County's population was an increase of 0.12%. Updated population estimates have been provided by the California Department of Finance.

Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their Appropriation Limit by vote of their governing body. The two allowable factors are the change in State per capita income, which was an increase of 3.62%, and the change in non-residential new construction as a percentage of the total taxable value increase of the City, which was an increase of 2.58%. The cost of living factor used for the 2024/25 calculation is the change in State per capita income as it provides for a greater Limit. Using the percentage change in State per capita income and the percentage change in City population generates the following 2024/25 Appropriation Limit:



Article XIII (B) Appropriations Limit for the City of Brentwood
For Fiscal Year 2024/25

Appropriations Limit for Fiscal Year 2023/24	<u>\$ 113,476,986</u>
City Population in January 2023	64,496
City Population in January 2024	64,811
Percentage Increase in Population - City of Brentwood	0.49%
Percentage Increase - Contra Costa County	0.12%
California Per Capita Personal Income	3.62%
Change in non-residential new construction	2.58%
Factor to be applied to Prior Year	1.04127738
(1 + Population Factor) x (1 + Per Capita Factor)	
Appropriations Limit for Fiscal Year 2024/25	<u>\$ 118,161,019</u>

If the City Council approves the FY 2024/25 Operating Budget without modification later on tonight’s agenda, the proposed FY 2024/25 appropriations subject to the limit totals \$80,922,414, which is well below the calculated Limit.

CITY COUNCIL STRATEGIC INITIATIVE

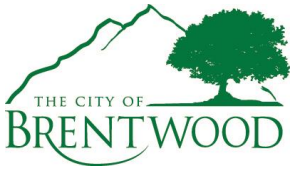
Not Applicable.

PREVIOUS ACTION

See attachment 1 – Previous Action.

ENVIRONMENTAL DETERMINATION

Not Applicable.



ALTERNATIVE OPTION(S)

Alternative Options to the Staff Recommendation:

1. Modify staff's recommendation based on City Council direction.
2. Do not approve a 2024/25 appropriations limit. The Limit would not be available for review during the annual financial audit as required by Article XIII B of the California State Constitution.

ATTACHMENT

1. Previous Action
2. Resolution