

ITEM 4.4

CITY MANAGER'S REPORT JUNE 10, 2024 CITY COUNCIL REGULAR MEETING

ITEM: **GANN APPROPRIATION LIMIT FOR FISCAL YEAR
2024/25**

RECOMMENDATION: **Adopt Resolution Determining the Total Annual
Appropriations Subject to Limitation, for Fiscal Year
2024/25**

SUMMARY:

California voters adopted the GANN Initiative (also known as GANN Limit) in 1979. The purpose of the GANN Initiative is to limit tax revenues which can be appropriated in any fiscal year. The GANN Limit is calculated by increasing the base year tax revenues by the Population Growth factor and one of the following; Changes in Assessed Values attributed to Non-Residential Growth or Changes in the Per Capita Personal Income factor. Each option exists to allow for the use of whichever is greater or data that is readily available when completing the calculation. To comply with Article XIII.B of the State Constitution and Government Code 7900 and as part of the budget process, the City adopts the GANN Limit.

After reviewing the GANN Limit's growth factors, staff recommends using the Assessed Value attributed to Non-Residential Growth to set the appropriation limit at \$469,640,472 (Attachment "B") for Fiscal Year 2024/25. The Fiscal Year 2024/25 budget remains in compliance within the appropriation limit.

BACKGROUND:

The GANN Limit originated with Proposition 4 and was passed by California voters in November 1979 (also known as the Gann Initiative). The purpose of the GANN Limit is to limit tax growth.

Section 7910 of the Government Code of the State of California requires that the governing bodies of each local jurisdiction establish its appropriation limit for the following fiscal year pursuant to Article XIII B of the State Constitution (GANN Initiative). The GANN Initiative limits the amount of revenue which can be appropriated in any fiscal year. However, not all revenues are restricted, only those referred to as "proceeds of taxes". The limit is adjusted annually for population growth, inflation/per capita income or changes to non-residential new construction, and other factors. Certain appropriations are exempt from the GANN Limit, such as voter-approved debt, court orders, and federal mandates.

The GANN Limit is calculated by increasing the base year tax revenues annually by a population growth factor and by one of the following:

1. The increase in Assessed Value attributed to Non-Residential Growth; or
2. The increase or decrease in California Per Capita Personal Income

Staff has prepared the FY 2024/25 GANN Appropriation Limit calculation (shown in Attachment "B" of the Proposed Resolution). The cost-of-living factor provided by the Department of Finance is personal income is 5.39%. Staff recommends that the increase in per capita personal income of 6.39% be used rather than the 5.39% increase in assessed value attributed to non-residential growth.

The GANN Appropriation Limit for FY 2024/25 is \$469,640,472 as calculated in Attachment "B" of the proposed resolution.

REASON FOR RECOMMENDATION:

The City is required by State law to annually adopt the GANN Limit.

FISCAL IMPACT:


The City's FY 2024/25 appropriations funded by tax revenues are within the required GANN Limit.

ATTACHMENTS:

- A. Resolution Determining the Total Annual Appropriation Subject to Limitation, for Fiscal Year 2024/25
- B. Proposition 4 Appropriation GANN Limit Calculations for Fiscal Year 2024/25

**CITY MANAGER'S REPORT
JUNE 10, 2024 CITY COUNCIL REGULAR MEETING
GANN LIMIT FISCAL YEAR 2024/25**

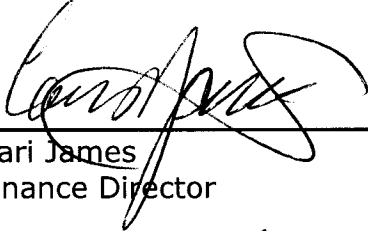
APPROVALS:



Sandra Frias
Senior Management Analyst

6/4/24

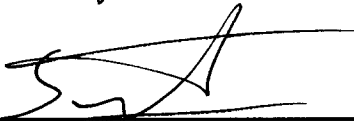
Date



Cari James
Finance Director

6/4/2024

Date



Salvador Navarrete
City Attorney

6.4.2024

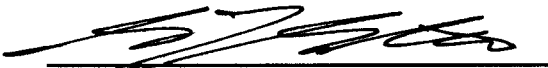
Date



Thomas Hedegard
Deputy City Manager

6/4/2024

Date



Stephen J Salvatore
City Manager

6.4.24

Date

RESOLUTION NO. 24-_____

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF LATHROP
DETERMINING THE TOTAL ANNUAL APPROPRIATION SUBJECT TO
LIMITATION, FOR FISCAL YEAR 2024/25**

WHEREAS, the City of Lathrop has prepared and submitted to the City Council a budget for the fiscal year commencing July 1, 2024; and

WHEREAS, the City Council should determine its final annual appropriations that are subject to limitation pursuant to Article XIII.B of the State Constitution; and

WHEREAS, said total annual appropriations subject to limitation of the City of Lathrop has been computed by the Director of Finance in accordance with the provisions in Article XIII.B and Government Code 7900, et seq; and

WHEREAS, the increase in the per capita personal income of 6.39% was used rather than the assessed value attributed to non-residential growth; and

WHEREAS, the City of Lathrop has complied with all of the provisions of Article XIII.B and Government Code 7902 in determining the Gann Limit which has been calculated for fiscal year 2024/25 to be \$469,640,472.

NOW, THEREFORE, BE IT RESOLVED that the City Council does hereby approve the Gann Limit for 2024/25 to be \$469,640,472 as calculated in the City Manager's Report presented to Council with this resolution.

The foregoing resolution was passed and adopted this 10th day of June 2024, by the following vote of the City Council, to wit:

AYES:

NOES:

ABSENT:

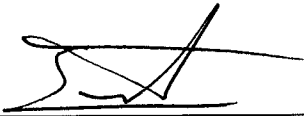
ABSTAIN:

Sonny Dhaliwal, Mayor

ATTEST:

APPROVED AS TO FORM:

Teresa Vargas, City Clerk



Salvador Navarrete, City Attorney

**CITY OF LATHROP
PROPOSITION 4 APPROPRIATION GANN LIMIT CALCULATIONS**

| | |
|--------------------------|-------------|
| 2004-05 GANN LIMIT | 49,037,977 |
| 2005-06 GANN LIMIT | 51,774,296 |
| 2006-07 GANN LIMIT | 61,109,202 |
| 2007-08 GANN LIMIT | 71,980,529 |
| 2008-09 GANN LIMIT | 80,085,537 |
| 2009-10 GANN LIMIT | 82,111,701 |
| 2010-11 GANN LIMIT | 81,627,242 |
| 2011-12 GANN LIMIT | 87,006,477 |
| 2012-13 GANN LIMIT | 91,800,534 |
| 2013-14 GANN LIMIT | 98,612,134 |
| 2014-15 GANN LIMIT | 101,077,437 |
| 2015-16 GANN LIMIT | 108,061,888 |
| 2016-17 GANN LIMIT | 121,072,539 |
| 2017-18 GANN LIMIT | 130,843,093 |
| 2018-19 GANN LIMIT | 150,652,737 |
| 2019-20 GANN LIMIT | 202,160,908 |
| 2020-21 GANN LIMIT | 235,194,000 |
| 2021-22 GANN LIMIT | 264,405,095 |
| 2022-23 GANN LIMIT | 303,219,763 |
| 2023-24 GANN LIMIT | 418,873,057 |
| 2024-25 GANN LIMIT | 469,640,472 |

2024-25 FINAL CALCULATION

The City will use the percentage change in Non Residential New Construction
to calculate the Final Gann Limit.

ADJUST FOR CHANGE IN POPULATION

Based on California Department of Finance Information

Increase 5.39%

Adjust for Change in California Per Capita Income

Per Capita in Non Residential New Construction: 6.39%

Adjust by the Above Factors:

Population 1.0539 x Per Capita 1.0639 = 1.1212

\$418,873,057 x 1.1212 = \$469,640,472

If you have any questions, contact Cari James in the Finance Department.