

Section B

Question 5



OPERATING BUDGET SAMPLE BOOK: FY 2000-2001

- Are implications of Prop 4 limit discussed and/or future trends analyzed? 3 pts.
 - Don't rely on just including the calculation and/or the resolution.
 - Look at the past to determine the future.
 - If you have such a wide margin between your proceeds of taxes and your appropriation that you'll never have to worry, show some historical data to support that trend.

GANN APPROPRIATIONS LIMIT

Commonly referred to as the Gann Limit, this was a ballot initiative adopted in 1980, and modified by Proposition 111 which passed in 1990, to limit the amount of tax proceeds state and local governments can spend each year. The Gann limit now appears in California's State Constitution as Article XIII B.

The limit changes annually and is different for every city. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in FY 1978-79 in each city, and modified for changes in inflation and population in each subsequent year. By law, inflationary adjustments are based on the California Department of Finance's official report on changes in the state's per capita income or in non-residential assessed valuation due to new construction. Population adjustments are based on changes in city or county population levels.

APPROPRIATIONS SUBJECT TO LIMITATION for Fiscal Year Ending June 30, 2000 Table 1-8	
Proceeds from Taxes	\$102,449,457
<i>Less Exclusions</i>	
Capital Outlay	\$16,477,280
<i>Total Exclusions</i>	<u>16,477,280</u>
Appropriations subject to limitation	\$85,972,177
Current Year Limit	<u>486,346,728</u>
Over (Under) Limit	(\$400,374,551)

Table 1-8 shows the City's FY 99-00 Gann Limit. The estimated City proceeds from taxes are \$102,449,457 and appropriations subject to the limit are \$85,972,177. The (Under) Limit figure of \$400.4 million is due to Santa Ana's 53 per cent increase in population since 1980 which outpaced the growth in the tax base, and a conservative fiscal philosophy that seeks to foster a resident-responsive and business-friendly climate.

Section 5 of Article XIII B allows the City to designate a portion of fund balance for general contingencies to be used for any purpose. In 1983, the City Council passed a resolution setting aside all unappropriated or unrestricted balances in the General Fund and Special Revenue Fund as contingency funds.

Section 9710 of the California Government Code, added in 1980 by the State legislature, requires the Council to adopt the City's Gann appropriations limit for the following year by resolution. This resolution as adopted by the Council on July 6, 1999. The main text of the Council resolution is reproduced here.

RESOLUTION NO. 1999-038

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SANTA ANA ESTABLISHING THE APPROPRIATIONS LIMIT OF THE CITY OF SANTA ANA FOR FISCAL YEAR 1999-2000.

WHEREAS, Article XIII B of the Constitution of the State of California imposes upon units of State and local government the obligation to limit each fiscal year's appropriations in fiscal year 1978-79 as adjusted for inflation and population; and

WHEREAS, the provisions of Proposition 111 and SB88 (Chapter 60/90) implemented revised annual adjustment factors to be applied to the 1986-87 limit and each year in between in order to calculate the 1999-2000 limit; and

WHEREAS, the City of Santa Ana has opted to use as the inflation adjustment factor, the percentage change in the California per capita personal income; and

WHEREAS, the City of Santa Ana has opted to use as the population adjustment factor, the County's own population growth; and

WHEREAS, Division 9 of Title I of the Government Code of the State of California, as enacted by 1980 Statutes, Chapter 1205, effective January 1, 1981, directs the governing body of each local jurisdiction each year; and

WHEREAS, the Executive Director, Finance and Management Services of the City of Santa Ana has determined the City's appropriation limit for fiscal year 1999-2000 in accordance with the said provisions of the Constitution and laws of the State of California and the documentation used in said determination has been available to the public since June 30, 1999 in the office of the Executive Director, Finance & Management Services;

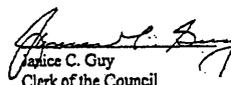
NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Santa Ana that, based upon the above said documentation, the appropriation limit of the City of Santa Ana for fiscal year 1999-2000 is hereby found and determined to be \$486,346,728.

RESOLUTION NO. 1999-038
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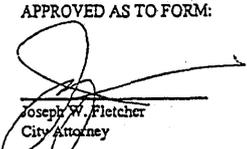
ADOPTED this 6th day of July, 1999.

ATTEST:


Miguel A. Pulido
Mayor


Janice C. Guy
Clerk of the Council

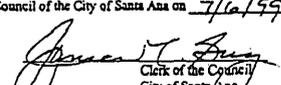
COUNCILMEMBERS:

Pulido	<u>AYE</u>	APPROVED AS TO FORM:  Joseph W. Fletcher City Attorney
Bist	<u>AYE</u>	
Christy	<u>AYE</u>	
Franklin	<u>AYE</u>	
Lutz	<u>AYE</u>	
McGuigan	<u>AYE</u>	
Moreno	<u>AYE</u>	

CERTIFICATE OF ORIGINALITY

State of California
County of Orange

I, JANICE C. GUY, Clerk of the Council, do hereby certify the attached Resolution No. 1999-038 to be the original resolution adopted by the City Council of the City of Santa Ana on 7/6/99.

Date: 7/9/99 
Janice C. Guy
Clerk of the Council
City of Santa Ana

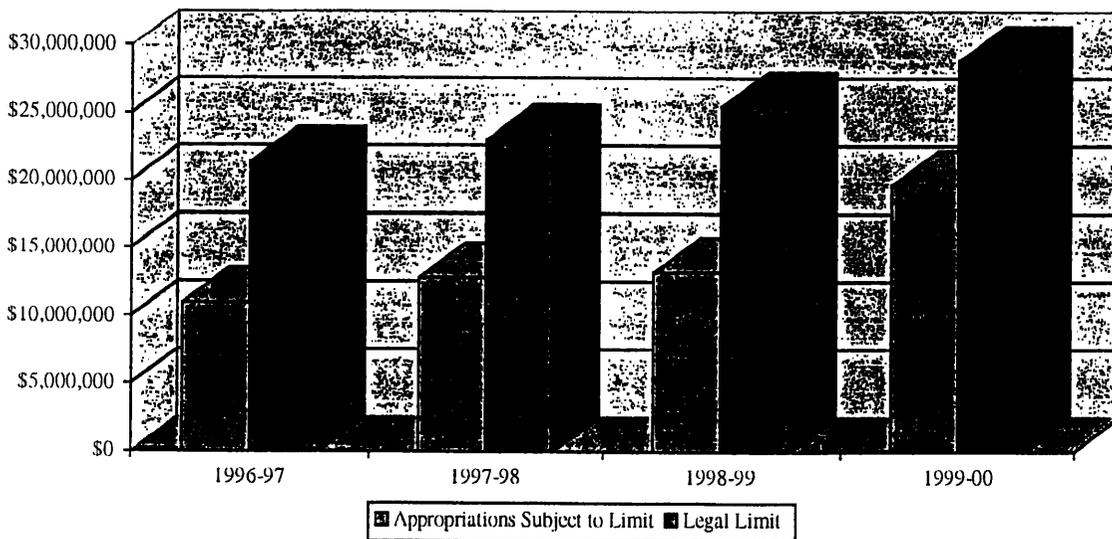
GANN APPROPRIATIONS LIMIT

Article XIII B of the California State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, was approved by California voters in November 1979 and placed limits on the amount of proceeds of taxes that state and local governmental agencies can receive and spend each year.

The limit is different for each agency and the limit changes each year. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978-79 in each agency, modified for changes in inflation and population in each subsequent year. For cities which incorporated after 1978-79, such as the City of Temecula, the initial appropriations limit was set by the voters at the time of incorporation. In accordance with the Government Code Section 56842.6 the City was required to recompute the Gann limit since incorporation based on actual tax revenues and place the new limit on the ballot at the first general election after incorporation which was November 10, 1992.

Each year the City Council must adopt, by resolution, an appropriations limit for the following year. Using cost of living data provided by the State of California, and population and per capita personal income data provided by the State Department of Finance, the City's Appropriations Limit for 1999-00 has been computed to be \$28,878,773. Appropriations subject to the limitation in the 1999-00 budget total \$19,675,664, which is \$9,203,109 less than the computed limit.

Additional appropriations to the budget funded by non-tax sources such as service charges, restricted revenues from other agencies, grants or beginning fund balances would be unaffected by the Appropriations Limit. However, any supplemental appropriations funded through increased tax sources would be subject to the Appropriations Limit and could not exceed the \$9,203,109 variance indicated. Further, any overall actual receipts from tax sources greater than \$9,203,109 from budget estimates will result in proceeds from taxes in excess of the City's Appropriations Limits, requiring refunds of the excess within the next two fiscal years or voter approval of an increase in the City's Appropriations Limit.



CALIFORNIA GANN LIMIT ANALYSIS

**Appropriations
Limit**

**Art XIII B California
Constitution
"Gann Initiative"**

In 1979 a statewide voter approved spending limitation (Gann Initiative) went into effect. The purpose was to limit the spending of tax proceeds by government agencies by limiting expenditures. An agency is restricted from approving expenditures in excess of its limit. If a City receives more revenue than the appropriation limit, the revenue must be returned to the taxpayers through a tax reduction or refund.

The appropriation limit is annually adjusted by the population change and the greater change of either the state per capita income or the local assessment roll for non-residential construction. The limit can be increased for an emergency as declared by the Governor and excludes qualified capital outlay expenditures of more than \$100,000 with a ten-year life expectancy.

Currently, the City is only at 27.6440% of its limitation and therefore will not be impacted by the appropriations limit.

City of Indian Wells Annual Spending Limitation

