



Staff Report

TO: City Council
FROM: Jennifer Ustation, Finance Director
DATE: January 18, 2022
SUBJECT: Approval of Corrected Gann Limit for FY2021 and FY2022

Background and Analysis:

In November 1979, Proposition 4 (Gann Initiative) was adopted by the State of California. Proposition 4 created Article XIII B of the State Constitution placing limits on the amount of revenue which can be spent by all entities of government. Proposition 4 was modified by Proposition 111 in June 1990. Proposition 111 provided new adjustment formulas for the calculation of the annual appropriations limit.

The appropriations limit is based on actual appropriations during the 1978-79 fiscal year and is increased each year using the growth of population and inflation. Not all revenues are restricted by the appropriations limit, only those that are referred to as "proceeds of taxes."

The limit is calculated by taking the prior year's limit and applying growth factors as appropriate. The growth factors are determined by 1) the change in population in either the City or the County, and 2) the change in per capita income or non-residential new construction.

It was discovered that the original calculation of the FY2021 had an incorrect per capita income growth rate of 4.63%. A rate of 3.73% should have been applied instead. Since the calculation begins with the prior year's limit the FY2022 calculation has also been corrected.

The City's actual appropriation level remains well below the limit of \$94.9 million for FY2021

Fiscal Impact:

City staff estimates the cost to prepare this report to be \$290.

Recommended Action:

Waive the full reading and adopt by title only a “Resolution of the City Council of the City of Beaumont, approving the Appropriation Limit for the 2020-21 and 2021-22 Fiscal Years.”

Attachments:

- A. Appropriation Limit Calculation for the Fiscal Year ending June 30, 2021
- B. Appropriation Limit Calculation for the Fiscal Year ending June 30, 2022
- C. Resolution of the City Council approving the FY2020-21 and FY2021-22 Appropriation Limit