



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/20/2023

ITEM NO: 11

DATE: June 6, 2023
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Adopt a Resolution Establishing the Fiscal Year 2023/24 Gann Appropriation Limit for the Town of Los Gatos

RECOMMENDATION:

Adopt a resolution establishing the Fiscal Year (FY) 2023/24 Gann Appropriation Limit for the Town of Los Gatos.

BACKGROUND:

On November 6, 1979, California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative, establishing Article XIII B of the California State Constitution. This Proposition, which became effective in FY 1980/81, mandated an appropriation (spending) limit on the amount of tax proceeds that the State and most local government jurisdictions may appropriate within a fiscal year. Charges for services, fees, grants, loans, donations, and other non-tax proceeds are excluded from the spending limitation. Exemptions are also made for voter-approved debt prior to January 1, 1979 and the cost of court-related or Federal government mandates.

The Initiative was later modified by two propositions: Proposition 98 in 1988 and Proposition 111 in 1990. Proposition 98 established the return of tax revenues exceeding appropriation limit levels to the State or citizens through a process of refunds, rebates, or other means. Proposition 111 allowed more flexibility in the appropriation calculation factors.

In December 2022, the State issued a list of subventions that included \$7 million in pass-through wildfire grants that were received and distributed by the Town of Los Gatos. Since this \$7 million was not secured until after the FY 2021/22 Gann Appropriation Limit was adopted, it was not included in the original tax revenue estimates. The Town was still under the FY 2021/22 Gann Appropriations Limit with the additional \$7 million in tax revenues.

PREPARED BY: Gitta Ungvari
Finance Director

Reviewed by: Town Manager, Assistant Town Manager, and Town Attorney

SUBJECT: Adopt a Resolution Establishing the FY 2023/24 Gann Appropriations Limit for the Town of Los Gatos

DATE: June 6, 2023

DISCUSSION:

Attachment 1 for Council consideration is a resolution establishing an appropriation limit for FY 2023/24. The appropriation limit is based on population and per capita income data provided by the State of California Department of Finance. In alignment with State guidelines, the appropriation limit for FY 2023/24 was calculated using inflation and population factors comprised of the change in County or Town population (whichever is higher) and the change in California per capita personal income.

The calculation of the FY 2023/24 Gann Appropriation Limit is as follows:

FY 2023/24 Calculation									
Town Population Factor			Per Capita Income Factor			Appropriation Factor		2022/23 Appropriation Limit	2023/24 Appropriation Limit
0.9980		X	1.0444		=	1.042311		X \$ 51,622,037	= \$ 53,806,227

The appropriation limit is the total amount of tax money that can be appropriated by the Town in FY 2023/24. The proposed FY 2023/24 budget anticipates \$36,222,240 in taxes, which is \$17,583,9871 less than the appropriation limit of \$53,806,227.

FISCAL IMPACT:

There is not direct identifiable fiscal impact from this action.

ENVIRONMENTAL ASSESSMENT:

This is not a project defined under CEQA, and no further action is required.

Attachment:

1. Resolution establishing the Gann Appropriation Limit for FY 2023/24