



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 06/03/2024

ITEM NO: 5

DATE: May 28, 2025
TO: Mayor and Town Council
FROM: Chris Constantin, Town Manager
SUBJECT: Adopt a Resolution Establishing the Fiscal Year 2025-26 Gann Appropriation Limit for the Town of Los Gatos

RECOMMENDATION:

Adopt a resolution establishing the Fiscal Year (FY) 2025-26 Gann Appropriation Limit for the Town of Los Gatos.

FISCAL IMPACT:

There is no fiscal impact from this action.

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.

PREPARED BY: Gitta Ungvari
Finance Director

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

SUBJECT: Adopt a Resolution Establishing the FY 2025-26 Gann Appropriations Limit for the Town of Los Gatos

DATE: May 28, 2025

DISCUSSION:

Attachment 1 is a resolution for Council consideration to establish an appropriation limit for FY 2025-26. 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 2025-26 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 2025-26 Gann Appropriation Limit is as follows:

FY 2025-26 Calculation									
County Population Factor		Per Capita Income Factor		Appropriation Factor		2024-25 Appropriation Limit		2025-26 Appropriation Limit	
1.0004	X	1.0644	=	1.064825760	X	\$ 55,765,163	=	\$ 59,380,183	

The appropriation limit is the total amount of tax money that can be appropriated by the Town in FY 2025-26. The proposed FY 2025-26 budget anticipates \$41,745,536 in taxes, which is \$17,634,647 less than the appropriation limit of \$59,380,183.

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 2025-26