



**TOWN OF LOS GATOS
COUNCIL AGENDA REPORT**

MEETING DATE: 08/20/2019

ITEM NO: 4

DATE: August 12, 2019
TO: Mayor and Town Council
FROM: Laurel Prevetti, Town Manager
SUBJECT: Adopt a Resolution Establishing the FY 2019/20 Gann Appropriations Limit for The Town of Los Gatos and Rescinding Resolution 2019-031

RECOMMENDATION:

Adopt a resolution establishing the FY 2019/20 Gann Appropriations Limit for the Town of Los Gatos and rescinding Resolution 2019-031.

BACKGROUND:

On June 4, 2019, the Town Council adopted Resolution 2019-031 establishing the FY 2019/20 Gann Appropriation Limit for the Town of Los Gatos. The annual Gann Limit calculation presented in the resolution had an error which was identified through the Town's annual audit process. The prior report inadvertently identified the County Population Factor as 1.0099 versus 1.0033. The correct calculation utilizing the appropriate County Population Factor can be found in the Discussion portion of the staff report and the attached redlined resolution (Attachment 1).

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 fiscal year (FY) 1980/81, mandated an appropriations (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. 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

PREPARED BY: Stephen Conway
Finance Director

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

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BACKGROUND (continued):

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.

DISCUSSION:

Attached for Council consideration is a draft revised resolution establishing an appropriations limit for FY 2019/20. The appropriations limit is based on population and per capita income data provided by the State of California Finance Department. In alignment with State guidelines, the appropriation limit for FY 2019/20 was calculated using a factor comprised of the change in County or Town population (whichever is higher) and the change in California per capita personal income. Calculation of the FY 2019/20 Gann Appropriations Limit is as follows:

FY 2019/20 Calculation						
County Population Factor		Per Capita Income Factor		2018/19 Appropriation Limit		2019/20 Appropriation Limit
1.0033	X	1.0385	=	1.041927	X	\$ 41,317,775 = \$ 43,050,108

The appropriations limit is the total amount of tax money that can be appropriated by the Town in FY 2019/20. The proposed FY 2019/20 budget anticipates \$30,447,571 in taxes, which is \$12,602,537 less than the appropriation limit of \$43,050,108.

FISCAL IMPACT:

There is no 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. Draft Revised Enabling Resolution for establishing the Gann Appropriation Limit for FY 2019/20 Redline