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DATE: June 4, 2024

TO: Honorable Mayor and Members of the City Council

FROM: Travis Sanborn, Finance Director

THROUGH: Kyle Knopp, City Manager

SUBJECT: Resolution No. 1607-2024 Adopting the Gann Appropriations Limit for Fiscal Year 2024-25

IT IS RECOMMENDED THAT THE CITY COUNCIL:

Adopt Resolution 1607-2024 establishing the City of Rio Dell Gann Appropriation Limit for fiscal year (FY) 2024-25.

BACKGROUND AND DISCUSSION:

Voters approved Proposition 4, also commonly known as the Gann Initiative, in November of 1979 adding Article XIII B to the California Constitution. The Gann Initiative placed limits on the growth of expenditures for all public agencies. Division 9 of Title 1, Sections 7900-7914 of the Government Code were added to establish the process for calculating state and local agency appropriations limits and appropriations subject to limitation under Article XIII B of the California Constitution. These constitutional and statutory sections explain and define the appropriations limit and appropriations subject to limitation as they apply to state and local agencies and require that each entity of government formally adopt its appropriations limit each fiscal year. The calculations used to determine the City's appropriations limit and the resolution adopting the limit are attached.

The Gann Appropriations Limit for the City of Rio Dell is:

FY 2024-25 Gann Appropriations Limit:	\$ 1,604,686
<u>City of Rio Dell's Amount Subject to Limit:</u>	<u>\$ 1,484,125</u>
Amount Under Limit:	\$ 153,875

A jurisdiction may not exceed the appropriations limit unless there is a declared emergency and the funds are used for that purpose. By majority approval, the voters of a jurisdiction may increase the appropriations limit. The voter-approved override may not exceed four years.

ATTACHMENTS:

- Resolution 1607-2024 Establishing Gann Limit
- City of Rio Dell FY 2024-25 Gann Limit Worksheet
- California Department of Finance Price Factor and Population Information

**Appropriations Subject to Limitation City of Rio Dell
FY 2024-25 Gann Limit Worksheet**

a)	FY 2023-24 Appropriations Limit (prior year)		1,604,686
	Calculation of FY 2022-23 Appropriations Limit		
	Annual Adjustment Factors:		
b)	Per Capita Personal Income	3.62%	
c)	City of Rio Dell Population Change OR	-1.49%	
d)	Humboldt County Population Change (whichever is greater)	-1.11%	
e)	Calculation: $(1 + .0362) \times (1 - .0023) =$		1.0207606
f)	FY 2024-25 Appropriations Limit (a x e)		1,638,000
g)	FY 2024-25 Estimated Tax Proceeds Subject to Appropriations Limit		
	Property Taxes	150,375	
	Property Tax In Lieu VLF	456,250	
	Sales & Use Taxes	640,000	
	Transient Occupancy Taxes	20,000	
	Transfer Taxes	7,500	
	Business License Taxes	10,000	
	Cannabis Tax	250,000	
	Total Tax Proceeds Subject To Limit (sum of g)		1,534,125
	FY 2024-25 Expenditures Exempt From Limit		
	City Hall Improvements	50,000	
h)	Total Expenditures Exempt From Limit		50,000
i)	FY 2024-25 Appropriations Subject To Limit (g - h)		1,484,125
j)	Under (Over) Limit (f - i)		153,875



**RESOLUTION NO. 1607-2024
A RESOLUTION OF THE CITY COUNCIL OF
THE CITY OF RIO DELL
ESTABLISHING THE GANN APPROPRIATIONS LIMIT
FOR FISCAL YEAR 2024-25**

WHEREAS, the voters of the State of California in November 1979 approved Proposition 4, commonly known as the Gann Initiative, which added Article XIII B to the California Constitution; and

WHEREAS, the provisions of that Article establish maximum appropriation limits, commonly called the “Gann Limits,” for public agencies, including California cities; and

WHEREAS, the City must establish a projected Gann Limit for the 2024-25 fiscal year in accordance with the provisions of Article XIII B and applicable statutory law;

NOW, THEREFORE BE IT RESOLVED, the City Council of the City of Rio Dell hereby adopts the Gann Appropriations limit of \$1,638,000 for fiscal year (FY) 2024-25 and declares that the applicable appropriations in the Budget for FY 2024-25 do not exceed the limit.

I HEREBY CERTIFY that the foregoing Resolution was duly introduced, passed, and adopted at a regular meeting of the City Council of the City of Rio Dell, held on the 4th day of June 2024 by the following vote:

Ayes:
Noes:
Abstain:
Absent:

Debra Garnes, Mayor

ATTEST:

Karen Dunham, City Clerk

April 30, 2024

Dear Fiscal Officer:

Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of Finance to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2024, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2024-25. Attachment A provides the change in California's per capita personal income and an example for utilizing the factors to calculate the 2024-25 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. California Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2024.** Please note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

/s Richard Gillihan

RICHARD GILLIHAN
Chief Operating Officer

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2024-25 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2024-25	3.62

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2024-25 appropriation limit.

2024-25:

Per Capita Cost of Living Change = 3.62 percent
Population Change = 0.17 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.62 + 100}{100} = 1.0362$

Population converted to a ratio: $\frac{0.17 + 100}{100} = 1.0017$

Calculation of factor for FY 2024-25: $1.0362 \times 1.0017 = 1.0379$

Fiscal Year 2024-25

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2023 to January 1, 2024 and Total Population, January 1, 2024

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	23-24	1-1-23	1-1-24	1-1-24
Humboldt				
Arcata	-1.54	18,830	18,540	18,540
Blue Lake	-1.29	1,164	1,149	1,149
Eureka	-0.80	26,116	25,906	26,073
Ferndale	-1.45	1,376	1,356	1,356
Fortuna	-1.11	12,318	12,181	12,181
Rio Dell	-1.49	3,290	3,241	3,241
Trinidad	-1.34	298	294	294
Unincorporated	-1.07	70,959	70,199	70,266
County Total	-1.11	134,351	132,866	133,100

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.