



Date: June 14, 2022

Honorable Mayor and Council Members

Author and title: Nicole Casey, Administrative Services Director

Title: **Amendment to the Gann Appropriations Limit for FY2022-2023**

Approved By: \_\_\_\_\_ Jen Callaway, Town Manager

**Recommended Action:** Council approve the attached Resolution No. 2022-34 authorizing the amendment to the Gann Appropriations Limit for the 2022-2023 fiscal year to \$24,042,609.

**Background:** Proposition 4, more commonly known as the Gann Initiative, was approved by the California electorate in November 1979. It is intended to restrict growth of tax-funded programs and services by limiting the appropriation of the proceeds of taxes to the 1978/79 base year limit, as adjusted annually for changes in population and inflation (price factor). Proceeds of taxes, in excess of the appropriations limit, with some exceptions, must be returned to the taxpayers by refund or reduction in tax rates, unless an extension of the limit is approved by majority popular vote. Proceeds of taxes include tax revenues and investment earnings, related to those tax revenues, proceeds from licenses and users/charges to the extent that they exceed the cost to cover those services, and discretionary tax funds used for contingency, emergency, unemployment, reserve and retirement sinking funds, trust, or similar funds.

In June 1990, the California voters approved Proposition 111, amending the Gann Initiative to provide local agencies with the option of using either the city or county population change percentage (whichever is greater). Another provision of the amendment states the Gann limit would be triggered only if tax proceeds exceed the limit for two consecutive fiscal years.

Additionally, the proposition requires an annual review of the appropriations limit calculation by a qualified independent auditor, in conjunction with the annual financial audit. The Town's fiscal year 2020-2021 was audited and at the May 10<sup>th</sup> meeting Council meeting, Council accepted the auditor's Independent Accountant's Report on Applying Agreed-Upon Procedures over management's Appropriations Limit Calculation which concluded that there were no findings. The fiscal year 2021-2022 calculation will be audited as part of the annual audit for that year.

Government Code subdivision 7910(a) states: "Each year, the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit and make other necessary determinations for the following fiscal year, pursuant to Article XIII B of the California Constitution, at a regularly scheduled meeting or noticed special meeting. Fifteen days prior to the meeting, documentation used in the determination of the appropriations limit and other necessary determinations shall be available to the public. The determinations made pursuant to this section are legislative acts."

Staff prepared the documentation on May 31, 2022, and it is and has been available on the Town's website and at Town Hall, upon request.

**Discussion:** The California Department of Finance provides the population and inflationary adjustments (price factor) for use in the Gann Appropriations limit calculation. Population estimates are

calculated in accordance with California Revenue and Taxation Code section 11005.6 and excludes federal, state and military populations in accordance with the aforementioned code. For the period between January 1, 2021 to January 1, 2022, population in Truckee increased by 0.38 percent. In numbers, population is estimated to have increased from 17,035 to 17,100.

The Department of Finance provides the percentage change in per capita personal income (CPCPI) for use as the inflationary adjustment in the Appropriations Limit Calculation. The inflationary factor for January 1, 2021 to January 1, 2022 was 7.55 percent.

As a reminder, the 2007-2008 Gann limit calculation was adjusted to exclude state-mandated costs from the Town's budgeted expenditures. The Town's then Town Attorney, Dennis Crabb provided the Town with research in regards to the allowed exceptions to the Gann Limit. His research determined that the debt limitation applies only to debts the Town has voluntarily incurred, not obligations imposed by law. Specifically, based on a case known as City of La Habra v. Pellerin 216 Cal. App. 2d 99 (1963), the provision of police and fire protection is an obligation imposed by law and therefore these costs can be excluded from the calculations.

As seen in the attached schedule, we have removed the costs for both police and animal control services for the 2022-2023 calculation in accordance with this guidance.

Attachment B contains the details of the Appropriations Limit Calculation. The Town's budgeted appropriations subject to the limit for fiscal year 2022-2023 are \$20,458,588, 89% of the Town's limit. While this an increase in the percentage used over fiscal year 2021-2022 (79%), there is still sufficient capacity between what the Town collects and the current limit. The increase is primarily related to the adjustment to the Transient Occupancy Tax budget (\$5 million compared to \$4.2 million in fiscal year 2021-2022) as well as the addition of Measure K budgeted estimates (an additional \$1 million).

Attachment C is a copy of the California Department of Finance's change in population estimates between January 1, 2021 to January 1, 2022 as well as the cover letter and published CPCPI price factor.

**Priority:**

<input type="checkbox"/>	Enhanced Communication	<input type="checkbox"/>	Climate and Greenhouse Gas Reduction	<input type="checkbox"/>	Housing
<input type="checkbox"/>	Infrastructure Investment	<input type="checkbox"/>	Emergency and Wildfire Preparedness	<input checked="" type="checkbox"/>	Core Service

**Fiscal Impact:** This action will allow the Town to continue to receive tax revenues as outlined in the 2022-2023 Annual Operating Budget.

**Public Communication:** The calculation has been available in the Town's office since May 30, 2022 for anyone who requested it and on the Town's website as of June 9, 2022.

**Attachments:**

Attachment A: Resolution No. 2022-34

Attachment B: Calculation of the Gann Appropriations Limit for Fiscal year 2022-2023

Attachment C: California Department of Finance Published CPCPI and Population Estimates