



# CITY COUNCIL STAFF REPORT



June 11, 2024

## ITEM TITLE

Gann Limit: Establish Appropriation Limits for Fiscal Year 2024-25

**Report Number:** 24-0131

**Location:** No specific geographic location

**Department:** Finance

**G.C. § 84308:** No

**Environmental Notice:** The activity is not a “Project” as defined under Section 15378 of the California Environmental Quality Act State Guidelines. Therefore, pursuant to State Guidelines Section 15060(c)(3) no environmental review is required.

## Recommended Action

Adopt a resolution establishing the appropriations limit (Gann Limit) for the City of Chula Vista for fiscal year 2024-25.

## SUMMARY

Article XIII B of the California Constitution approved by the voters in 1979 requires each local government to establish an Appropriations Limit for the General Fund by resolution each year at a regularly scheduled meeting or noticed special meeting. The purpose of the limit is to restrict spending of certain types of revenues to a level predicated on a base year amount increased annually by an inflation factor.

## ENVIRONMENTAL REVIEW

The Director of Development Services has reviewed the proposed activity for compliance with the California Environmental Quality Act (CEQA) and has determined that the activity is not a “Project” as defined under Section 15378 of the State CEQA Guidelines because the proposed activity consists of a governmental fiscal/administrative activity which does not result in a physical change in the environment. Therefore, pursuant to Section 15060(c)(3) of the State CEQA Guidelines, the activity is not subject to CEQA.

## BOARD/COMMISSION/COMMITTEE RECOMMENDATION

Not applicable.

**DISCUSSION**

Article XIII B of the California Constitution, approved by the voters in 1979, imposed the concept of spending limits on local governments. This Constitutional provision and related implementing legislation specifies that annual increases in general fund appropriations financed from “Proceeds of Taxes” are limited to a base year (1978-79) amount increased annually by an inflation factor comprised of the change in population of the city combined with the greater of the change in new non-residential construction or the change in the California per capita personal income. By definition, “Proceeds of Taxes” includes such revenues as property taxes, sales and use taxes, utility user taxes, transient occupancy taxes, and state subventions. Revenues from other sources like fees/charges and federal grants are considered “Non-Proceeds of Taxes” and are not subject to the annual spending limit. This calculation has always been perfunctory for the City of Chula Vista, as the proceeds of taxes for the City are far less than the statutory appropriation limit.

The State Department of Finance and the San Diego County Assessor’s Office are charged with providing the data necessary for local jurisdictions to establish their appropriation limit. According to these sources, for purposes of the fiscal year 2024-25 calculation, the population increased 0.54%. California per capita personal income increased by 3.62% and new non-residential construction increased by 5.6%. Consequently, non-residential construction was used in the formula to compute the limit since this increase is the greater of the two amounts.

The fiscal year 2024-25 Appropriation Limit has been calculated as follows:

|                                                                                                                            |                        |
|----------------------------------------------------------------------------------------------------------------------------|------------------------|
| Fiscal Year 2023-24 Appropriations Limit                                                                                   | \$1,283,136,594        |
| Increased by an inflation factor composed of the<br>Increase in Population and<br>Increase in Non-residential construction | <u>X 1.0616633</u>     |
| Fiscal Year 2024-25 Appropriations Limit                                                                                   | <u>\$1,362,259,057</u> |

The “Proceeds of Taxes” as included in the fiscal year 2024-25 proposed budget that are subject to the appropriations limit are estimated to be \$224,168,128 (see attachment). Therefore, the City has what is referred to as an appropriation “gap” of \$1,138,090,929 (\$1,362,259,057 - \$224,168,128). Simply stated, this means that the City could collect and spend up to \$1,138,090,929 more in taxes during fiscal year 2024-25 without exceeding the Constitutional limit.

**DECISION-MAKER CONFLICT**

Staff has reviewed the decision contemplated by this action and has determined that it is not site-specific and consequently, the real property holdings of the City Council members do not create a disqualifying real property-related financial conflict of interest under the Political Reform Act (Cal. Gov’t Code § 87100, et seq.).

Staff is not independently aware and has not been informed by any City Council member, of any other fact that may constitute a basis for a decision maker conflict of interest in this matter.

**CURRENT-YEAR FISCAL IMPACT**

The adoption of the resolution will result in no current-year fiscal impact.

## **ONGOING FISCAL IMPACT**

This action will enable the City to appropriate and spend tax revenues estimated at \$224,168,128 included in the proposed budget for fiscal year 2024-25.

## **ATTACHMENTS**

1. Fiscal Year 2024-25 Gann Limit

*Staff Contact: Sarah Schoen, Director of Finance/Treasurer*