



DATE: August 5, 2024

TO: Mayor and Members of the City Council President and Members of the Estero Municipal Improvement District (EMID) Board of Directors

VIA: Stefan Chatwin, City/District Manager

FROM: Waqas Hassan, Assistant Finance Director

DEPARTMENT: Finance

SUBJECT: ESTABLISHING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024-2025

RECOMMENDATION

It is recommended that the City Council/EMID Board of Directors hold a public hearing, and then adopt the attached resolutions establishing the appropriations limit for FY 2024-2025.

EXECUTIVE SUMMARY

The original Article XIIIB (Proposition 4), known as the "Gann Limit" Initiative, and its implementing legislation were modified by Proposition 111. Beginning with FY 1990-1991, the law provides the local agency an option to calculate the adjustment factors by the following:

- Inflation – either the percentage change in the California Per Capita Income or the percentage change in the local assessment roll from the preceding year due to the addition of local non-residential new construction.
- Population – either the City's own population growth or the population growth of the entire County.

Typically, an agency selects the factors which provide for the largest growth to the limit.

The adjustments used for FY 2024-2025 are the percentage change in local assessment roll from the preceding year due to the addition of local non-residential construction and the County's population growth, which were published by the San Mateo County Assessor's office and the California Department of Finance in April 2024, respectively. The cost-of-living factor selected by the City is the assessed value in the preceding year due to new non-residential construction as it exceeds the percentage change in California per capita income. Similarly, San Mateo County's population change was selected as it declined less than Foster City's population (-0.50% vs. -1.03%).

Staff has applied the adjustment factors in accordance with Proposition 111 to calculate the FY 2024-2025 limit. Based on the current annual adjustment factors, the City and District are well within the appropriations limit.

BACKGROUND

Proposition 4 (Gann Initiative) was voted upon by the voters in the November 6, 1979 Special Election, which added Article XIIB to the State Constitution. Subsequent legislation added Section 7900 et seq. to the Government Code which provided additional interpretation and instructions implementing Proposition 4. The combined effect of the legislation restricts the growth of appropriations enacted by local government in their annual budgets and subsequent adjustments to basic factors which relate to inflation and population growth. These factors are provided annually by the California Department of Finance.

In June 1990, Proposition 111 was approved by the voters which, among other things, revised the spending limit calculations for state and local government effective July 1, 1990. The base year for determining an agency's limit was set as FY 1986-1987. After that, appropriations limit for an agency is the limit adopted in FY 1986-1987, as subsequently adjusted by the Proposition 111 adjustment factors. Agencies are able to adjust their limit annually by either the change in the California Per Capita Personal Income or the percentage change in the local assessment roll from the preceding year due to the addition of local non-residential new construction. A second adjustment factor is based upon population growth, which is the annual change in population of the City's own growth or the population growth of the entire County.

ANALYSIS

The growth factors used in the calculation for FY 2024-2025 are as follows:

- 1) Change in the local assessment roll from the preceding year due to the addition of local non-residential construction: 3.62%
- 2) Population Growth in San Mateo County: -0.50%

The resulting combined growth rate is 3.10%, as calculated by multiplying the Change in the local assessment roll from the preceding year due to the addition of local non-residential construction and the San Mateo County population growth rate.

Using the methodology for calculating the appropriations limit in accordance with Proposition 111, the following chart shows the appropriation bases, and the appropriation growth factors to establish the appropriations limit for FY 2024-2025.

APPROPRIATIONS LIMIT CALCULATIONS - FY 2024-2025 (BY AGENCY)

	CITY	DISTRICT	TOTAL
FY 2023-2024 Appropriations Limit	\$90,819,359	\$85,064,827	\$175,884,186
FY 2024 -2025 Growth Factor	3.10%	3.10%	3.10%
FY 2024-2025 Appropriations Limit	\$93,634,759	\$87,701,837	\$181,336,596
FY 2024-2025 Appropriations Subject to Limit	\$29,328,230	\$27,469,923	\$56,798,153
Dollar amount under limit	\$64,306,529	\$60,231,914	\$124,538,443
Percentage of limit	31.32%	31.32%	31.32%

The total appropriations subject to the Gann Limit are calculated as the total of all appropriated expenditures in the General Fund, Special Revenue Funds and the City CIP Fund, less all revenue sources that are not considered general tax proceeds (e.g. permits, recreation programs, rental income).

As required by law, the information used to calculate these limits is available in the Financial Services Department that will allow the public to determine the validity and bases for the appropriations limit recommended for adoption. Accordingly, the City Council/District Board is requested to hold a public hearing on these limits this evening and, subject to any public testimony received, adopt the attached resolutions to approve the appropriations limit specified herein.

California Environmental Quality Act

Not Applicable

FISCAL IMPACT

There is no budget impact on establishing the FY 2024-2025 Appropriations Limit.

CITY COUNCIL VISION, MISSION, AND VALUE/PRIORITY AREA

Innovation and Sustainability

ATTACHMENTS:

- Attachment 1 - City Resolution
- Attachment 2 - EMID Resolution