



City of Huntington Beach

File #: 19-661

MEETING DATE: 6/17/2019

REQUEST FOR CITY COUNCIL ACTION

SUBMITTED TO: Honorable Mayor and City Council Members

SUBMITTED BY: Dave Kiff, Interim City Manager

PREPARED BY: Carol Molina-Espinoza, Acting Chief Financial Officer (CFO)

Subject:

Public Hearing to consider adopting Resolution No. 2019-42 establishing the Gann Appropriation Limit for Fiscal Year 2019/20

Statement of Issue:

Section 7910 of the State Government Code requires the City of Huntington Beach to adopt its appropriations limit, pursuant to Article XIIIB of the State of California Constitution. The Government Code requires adoption of the appropriation limit by June 30, 2019, for following Fiscal Year 2019/20.

Financial Impact:

None

Recommended Action:

Adopt Resolution No. 2019-42, "A Resolution of the City Council of the City of Huntington Beach Establishing the Gann Appropriation Limit for Fiscal Year 2019/20" of \$964,662,284.

Alternative Action(s):

Do not approve the recommended action and direct staff accordingly.

Analysis:

In November 1979, the California voters approved Proposition 4, which created Article XIIIB of the State Constitution, a state law that requires the state and local governments to adopt an annual appropriation limit. This limit, also referred to as the "Gann Limit," establishes a limit on the proceeds of taxes that may be appropriated for spending in a given fiscal year. The limit allows the City's spending of tax proceeds to increase only by population growth and cost-of-living factors from the base year of 1978-1979. In June 1990, Proposition 111 was passed which changed the way the limit is calculated and is outlined as follows.

The City may increase its limit annually in two ways:

- By a percentage equal to the increase from the preceding year in county or city population

(whichever is greater).

- By an amount equal to the change in per capita personal income in California or the change in the assessment roll the preceding year due to the addition of local non-residential new construction (whichever is greater).

The proposed appropriation limit for Fiscal Year 2019/20 is calculated as follows:

FY 2018/19 Appropriation Limit	\$ 921,344,622
Multiplied by percentage growth in State Per Capita Personal Income	1.0385
Multiplied by change in County Population	<u>1.0082</u>
Proposed FY 2019/20 Appropriation Limit	<u>\$964,662,284</u>

Appropriations of revenues controlled by the Gann Limit are primarily in the General Fund. The General Fund proposed appropriation for FY 2019/20 of \$231.8 million is significantly below this limit.

Examples of proceeds of taxes governed by the Gann Appropriation limit are: property taxes, sales taxes, utility taxes, state subventions, fines, forfeitures, interest revenue on regulatory licenses, user charges, and user fees to the extent that those proceeds exceed the costs reasonably borne by that entity in providing the regulation, product or service.

Environmental Status:

Not applicable.

Strategic Plan Goal:

Strengthen long-term financial and economic sustainability

Attachment(s):

1. Public Hearing Notice
2. Resolution Number 2019-42, "A Resolution of the City Council of the City of Huntington Beach Establishing the Gann Appropriation Limit for Fiscal Year 2019/2020"