



MEETING DATE: August 21, 2006
ITEM NO:

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COUNCIL AGENDA REPORT

DATE: AUGUST 21, 2006
TO: MAYOR AND TOWN COUNCIL
FROM: DEBRA J. FIGONE, TOWN MANAGER

SUBJECT: ADOPT RESOLUTION ESTABLISHING THE FISCAL YEAR 2006/07 GANN APPROPRIATION LIMIT FOR THE TOWN OF LOS GATOS

RECOMMENDATION:

Adopt resolution approving the Gann Appropriations Limit for FY 2006/07.

BACKGROUND:

On November 6, 1979, California voters approved Proposition 4, commonly known as the Gann Spending Limitation Initiative, establishing Article XIII B of the California State Constitution. This proposition, which became effective in fiscal year 1980/81, mandated an appropriations (spending) limit on the amount of tax revenues that the State and most local government jurisdictions may appropriate within a fiscal year. This limit grows annually by a population and cost-of-living factor.

The State Appropriation Limit was since modified by two subsequent initiatives - Proposition 98 in 1988 and Proposition 111 in 1990. Proposition 98 established the return of tax revenues exceeding appropriation limit levels to the State of citizens through a process of refunds, rebates, or other means. Proposition 111 allowed more flexibility in the appropriation calculation factors.

Only tax proceeds are subject to this limit. Charges for services, fees, grants, loans, donations and other non-tax proceeds are excluded. Exemptions are also made for voter-approved debt, debt which existed prior to January 1, 1979, and for the cost of compliance with court or Federal government mandates.

The Town Council adopts an annual resolution establishing an appropriations limit for the following fiscal year using population and per capita personal income data provided by the State of California's Department of Finance. Each year's limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978/79, with inflationary adjustments made annually to reflect increases in population and the cost of living.

PREPARED BY: Steve Conway, Finance and Administrative Services Director

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Reviewed by: PS Assistant Town Manager JK Town Attorney
____ Clerk Administrator ____ Finance ____ Community Development

DISCUSSION:

In alignment with State guidelines, the appropriation limit for fiscal year 2006/07 was calculated using a factor comprised of the change in population for the county combined with the change in California per capita personal income. Calculation of the 2006/07 Gann Appropriations Limit follows:

FY 2006/07 Calculation

<u>% Increase in County Population</u>	<u>Change in Per Capita Income</u>	<u>Appropriation Factor</u>	<u>2005/06 Appropriation Limit</u>	<u>2006/07 Appropriation Limit</u>				
1.0118	X	1.0396	=	1.05186728	X	\$ 22,774,821	=	\$ 23,956,089

This Appropriations Limit is the total amount of tax money that can be appropriated by the Town in the 2006/07 fiscal year. The proposed 2006/07 budget anticipates \$18,882,250 in taxes, which is \$5,073,839 less than the appropriation limit of \$23,956,089.

CONCLUSION:

It is recommended that the Council adopt the resolution approving the Gann Appropriations Limit of \$ 23,956,089.

ENVIRONMENTAL ASSESSMENT:

Is not a project defined under CEQA, and no further action is required.

Attachments:

1. Resolution
2. Gann Appropriations Limit calculation

RESOLUTION 2006-

**RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF LOS GATOS
ESTABLISHING THE 2006/07 FISCAL YEAR APPROPRIATION LIMIT
FOR THE TOWN OF LOS GATOS**

WHEREAS, the Town of Los Gatos has established its Base Year appropriation limit as \$5,849,120 (Five Million, Eight Hundred Forty-nine, One Hundred Twenty Dollars); and

WHEREAS, the cumulative appropriate changes to the Town's population, the Consumer Price Index, and per capita income statewide since the base year established the revised Proposition 111, 1996/97 Fiscal Year Appropriation Limit as \$14,714,173 (Fourteen Million, Seven Hundred Fourteen Thousand, One Hundred Seventy Three Dollars) as adjusted; and

WHEREAS, to the best of this Town's knowledge and belief, the State Department of Finance figures provided to this Town in response to Proposition 111 passed by the voters in June 1990, as audited, reflect the appropriate statistics relevant to the calculation of the 2006/07 Fiscal Year Appropriation Limit:

1. County population adjustments for 2006/07, plus 1.0118 (One point zero, one, one, eight percent)
2. Town population adjustments for 2006/07, plus 1.0044 (One point zero, zero, four, four percent)
3. Per Capita personal income change for 2006/07, plus 1.0396 (One point zero, three, nine, six percent).

THEREFORE, BE IT RESOLVED, based on the foregoing figures and the provisions of Article XIII B of the Constitution of the State of California, the following figure accurately represents the 2006/07 Fiscal Year Appropriation Limit for the Town of Los Gatos as: \$23,956,089 (Twenty Three Million, Nine Hundred Fifty Six Thousand, Eighty Nine Dollars).

PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Los Gatos, California, held on the 21st day of August, 2006 by the following vote:

COUNCIL MEMBERS:

AYES:

NAYS:

ABSENT:

ABSTAIN:

SIGNED:

MAYOR OF THE TOWN OF LOS GATOS

LOS GATOS, CALIFORNIA

ATTEST:

CLERK OF THE TOWN OF LOS GATOS

LOS GATOS, CALIFORNIA

APPROPRIATION LIMIT FACTORS

For YE June 30	Beginning Appropriation Limit	County Population Factor	Town Population Factor	Per Capita Income	Ending Appropriation Limit	% Limit Increase
1997	13,016,370	1.0800	1.007	1.0467	14,714,173	13.04%
1998	14,714,173	1.0216	1.0201	1.0467	15,733,994	6.93%
1999	15,733,994	1.0212	1.0137	1.0415	16,734,358	6.36%
2000	16,734,358	1.0173	1.0071	1.0453	17,795,043	6.34%
2001	17,795,043	1.0163	1.0095	1.0491	18,973,081	6.62%
2002	18,973,081	1.0147	1.0107	1.0782	20,757,490	9.40%
2003	20,757,490	1.0125	1.0051	0.9873	20,750,044	-0.04%
2004	20,750,044	1.0079	1.0010	1.0231	21,397,082	3.12%
2005	21,397,082	1.0072	1.0004	1.0328	22,258,018	4.02%
2006	21,397,082	1.0112	1.0026	1.0526	22,774,821	6.44%
2007	22,774,821	1.0118	1.0044	1.0396	23,956,089	7.63%

FY 2006/07 Calculation

% Increase in County Population	Change in Per Capita Income	2005/06 Appropriation Factor	2006/07 Appropriation Limit
1.0118	X	1.0396	= 1.05186728 X \$ 22,774,821 = \$ 23,956,089

Percentage of Appropriation

2006/07 Tax Revenues	2006/07 Appropriation Limit	Percentage of Limit
18,882,250	/ \$ 23,956,089	= 79%