RECOMMENDATION
Staff recommends that Council adopt the attached resolution determining the Proposition 4 (Gann) Appropriations Limit calculation for fiscal year 2004-05. The City's fiscal year 2004-05 appropriations are estimated to be $25.14 million under the limit, assuming Council Approval of the 2004-05 Adopted Budget.

DISCUSSION
Article XIIIB of the State Constitution (Proposition 4) limits the annual appropriations for the State and local governments. The Appropriations Limit (Limit) is adjusted annually on the basis of population and per capita income “change factors.” These factors are received from the State in May, after the City's proposed budget has been submitted to Council. Attached is the final Appropriations Limit calculation, based on the “change factors” which have been received from the State. The Appropriations Limit for fiscal year 2004-05 is $89.27 million. When compared to the recommended 2004-05 Budget, the City's fiscal year 2004-05 budgeted appropriations are $25.14 million under the Limit.

Based on Article XIIIB, the City of Palo Alto can use the larger of two measurements of population growth, county or city population growth factor, in the Limit calculation. For fiscal year 2004-05, the City is using the population factor for Santa Clara County, which is greater than the population factor for the City of Palo Alto.

As required by State law, documentation used to compute the Limit has been made available to the public at least fifteen days prior to the Council meeting at which the Limit is being adopted, and notice was published of the availability of these materials.
**RESOURCE IMPACT**
The adoption of the 2004-05 Limit has no impact on City resources.

**POLICY IMPLICATIONS**
This recommendation is consistent with existing City policies.

**ATTACHMENTS**
Attachment A: Resolution determining the calculation of the Appropriations Limit for fiscal year 2004-05

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