Summary Title: GANN Limit

Title: Adoption of Resolution Determining the Proposed Calculation of the Appropriations Limit for Fiscal Year 2012

From: City Manager

Lead Department: Administrative Services

Recommendation
Staff recommends that Council adopt the attached resolution determining the Proposition 4 (Gann) Appropriations Limit calculation for Fiscal Year 2012. The City's Fiscal Year 2012 appropriations are estimated to be $30 million under the limit, assuming Council approval of the Fiscal Year 2012 Adopted Budget.

Discussion
Article XIIIB of the State Constitution (Proposition 4) limits the annual appropriations for 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" that have been received from the State. The Appropriations Limit for Fiscal Year 2012 is $119 million. When compared to the recommended 2012 Budget, the City's Fiscal Year 2011 budgeted appropriations are $30 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) in the Limit calculation. For Fiscal Year 2012, the City is using the Santa Clara County population factor, which is greater than the population factor for the City of Palo Alto. In Fiscal Year 2011, the city population factor was used in lieu of the County's since the City's population factor was higher than the County's. The City typically uses the highest factor in order to provide maximum appropriation flexibility.

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 Fiscal Year 2012 Limit has no impact on City resources.
Policy Implications
This recommendation is consistent with existing City policies.

Environmental Review
This is not a project under section 21065 of the California Environmental Quality Act.

Attachments:
- Attachment A: Appropriations Limit Compliance Calculation (XLS)
- Attachment B: Resolution Determining Calculation of the Appropriation Limit (DOC)

Prepared By: Sherry Nikzat, Senior Financial Analyst
Department Head: Lalo Perez, Director
City Manager Approval: James Keene, City Manager
### APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION
FOR FY 2012 PROPOSED BUDGET
($ IN MILLIONS)

<table>
<thead>
<tr>
<th>Combined Funds</th>
<th>General Fund</th>
<th>Capital Projects</th>
<th>Debt Service</th>
<th>Special Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>FY 2012 Proposed Budget ($ millions)</td>
<td>150.41</td>
<td>118.56</td>
<td>11.83</td>
<td>4.48</td>
</tr>
<tr>
<td>Less: Debt Service Transactions</td>
<td>4.48</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Capital Outlay</td>
<td>11.83</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Non-Proceeds of Taxes</td>
<td>45.10</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Proposed Appropriations Subject to Limit</td>
<td>$89.00</td>
<td>$118.56</td>
<td>$11.83</td>
<td>$4.48</td>
</tr>
<tr>
<td>FY 2012 Appropriations Limit</td>
<td>119.00</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under Limit By</td>
<td>30.00</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

#### Computation of Appropriation Limit:
- FY 2011 Appropriations Limit: $115,057,884
- FY 2012 Santa Clara County Population Change (estimated) | 0.89% |
- 2009-10 Per Capita Income Change (estimated) | 2.51% |

\[(1.0089) \times (1.0251) \times 115057884 = 118995555\]

The City of Palo Alto remains well within its appropriations limit in FY 2012. Future year limit trends can be made based on the average change in regional population and income growth. The appropriations subject to limitation includes proceeds of taxes from the General Fund, Special Revenue Funds, Debt Service Funds, and Capital Improvement Funds. The following is a summary of estimated limits and estimated appropriations subject to the limit.

#### Historical Appropriations

<table>
<thead>
<tr>
<th></th>
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<th></th>
<th></th>
<th></th>
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</thead>
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<tr>
<td>Appropriations Subject to the Limit</td>
<td>73.30</td>
<td>78.64</td>
<td>72.00</td>
<td>78.94</td>
<td>89.00</td>
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<tr>
<td>Appropriations Limit</td>
<td>106.68</td>
<td>113.17</td>
<td>116.38</td>
<td>115.06</td>
<td>119.00</td>
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<tr>
<td>Under Limit By</td>
<td>33.38</td>
<td>34.53</td>
<td>44.38</td>
<td>36.12</td>
<td>30.00</td>
</tr>
</tbody>
</table>

#### Projected Appropriations

<table>
<thead>
<tr>
<th>FY</th>
<th>FY 2013</th>
<th>FY 2014</th>
<th>FY 2015</th>
<th>FY 2016</th>
<th>FY 2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Estimated Appropriations Subject to Limit</td>
<td>96.12</td>
<td>103.81</td>
<td>112.11</td>
<td>121.08</td>
<td>130.77</td>
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<tr>
<td>Estimated Appropriations Limit</td>
<td>126.24</td>
<td>133.91</td>
<td>142.05</td>
<td>150.69</td>
<td>159.85</td>
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<tr>
<td>Under Limit By</td>
<td>30.12</td>
<td>30.10</td>
<td>29.94</td>
<td>29.61</td>
<td>29.08</td>
</tr>
</tbody>
</table>
RESOLUTION NO.


WHEREAS, under Article XIIIB of the Constitution of the State of California, the City of Palo Alto (City) may not appropriate any proceeds of taxes in excess of its appropriations limit (Limit); and

WHEREAS, since fiscal year 1991, the City is permitted to annually adjust its Limit in accordance with inflation and population adjustment factors; and

WHEREAS, pursuant to Government Code Section 37200, the calculation of the Limit and the total appropriations subject to the limit were set forth in the annual budget of the City for fiscal year 2012, which will be adopted by ordinance of the Council on June 20, 2011; and

WHEREAS, pursuant to Government Code sections 7901 and 7910, the final calculation of the Limit has been determined, and the adjustment factors on which the calculation is based are a 2.51% percent change in California per capita income and a .89% percent change in the population growth for Santa Clara County; and

WHEREAS, the documentation used in the determination of the Limit has been made available to the general public for the period of fifteen (15) days prior to the date of adoption of this resolution; and

WHEREAS, according to the final calculation, the City’s appropriations subject to limitation are approximately $89 million.

NOW, THEREFORE, the Council of the City of Palo Alto does RESOLVE as follows:

SECTION 1. The Council of the City of Palo Alto hereby finds that, for fiscal year 2012, the final calculation of the Appropriations Limit of the City of Palo Alto has been determined in accordance with the adjustment factors referred to above, the documentation used in the determination of the calculation has been made available to the general public for the period of fifteen days as required by law, and the City’s appropriations subject to limitation are under the Limit by approximately $30 million.

SECTION 2. The Council hereby adopts the final calculation
SECTION 3. The Council finds that the adoption of this resolution does not constitute a project under the California Environmental Quality Act, and, therefore, no environmental assessment is necessary.

INTRODUCED AND PASSED:

AYES:

NOES:

ABSENT:

ABSTENTIONS:

ATTEST:                              APPROVED:

City Clerk                           Mayor

APPROVED AS TO FORM:

City Manager

Senior Assistant City Attorney

Director, Administrative Services