



CITY OF  
**PALO  
ALTO**

**19**

**TO: HONORABLE CITY COUNCIL**

**FROM: KIELY NOSE, DIRECTOR, ADMINISTRATIVE SERVICES/CFO**

**DATE: JUNE 19, 2019**

**SUBJECT: AGENDA ITEM NUMBER 19 – PUBLIC HEARING: ADOPTION OF A RESOLUTION SETTING THE APPROPRIATIONS LIMIT (GANN LIMIT) FOR FISCAL YEAR 2020**

This memorandum transmits an updated calculation of the FY 2020 Appropriations Limit (GANN) limit. As discussed in the original memorandum for the item on June 24, 2019 the City is subject to certain limits for its year over year increase in expenses. The updated calculation attached to this document addresses the final actions taken by the City Council to adopt the FY 2020 Budget, notably the addition of \$90,000 in expenses in the University Avenue Parking Fund. This increases the Special Revenue Funds Appropriation amount by \$90,000. The \$72,000 in funding appropriated by the City Council for economic development does not constitute an additional expense, since the Budget Uncertainty Reserve (City Council) budget was already included as an expense and is decreasing by a corresponding amount. This updated calculation also better reflects the contribution of \$1.3 million to the Budget Stabilization Reserve in the General Fund as an expense subject to GANN regulations.

Through this refined calculation, the City is still \$45.25 million below its appropriation limit authority. An updated resolution is attached to this memorandum, as is a refined calculation.

Attachments:

Attachment A GANN Resolution FY 2020

Attachment A, Exhibit 1 – Appropriations Limitation Compliance Calculation

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Kiely Nose  
Director of Administrative Services

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Ed Shikada  
City Manager

RESOLUTION NO.XXXX

RESOLUTION OF THE COUNCIL OF THE CITY OF PALO ALTO DETERMINING THE  
CALCULATION OF THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2020

WHEREAS, under Article XIII B 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 2020, which was adopted by ordinance of the Council on June 17, 2019; 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 3.85% percent change in California per capita income and a 0.33% percent change in the population growth for the County of Santa Clara; and

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

WHEREAS, according to the final calculation, the City's net appropriations subject to limitation are approximately \$127.51 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 2020, 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 \$45.25 million.

SECTION 2. The Council hereby adopts the final calculation of the Appropriations Limit of the City for Fiscal Year 2020, a copy of which is attached hereto as Exhibit 1.

**ATTACHMENT A**

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

\_\_\_\_\_  
Administrative Services Director

## APPROPRIATIONS LIMITATION COMPLIANCE CALCULATION FOR FISCAL YEAR 2020 ADOPTED BUDGET

(\$ IN MILLIONS)

| Total Budgeted Appropriations   | General Fund  | Capital Projects Funds | Special Revenue Funds | Debt Service Fund | Combined Funds   |
|---|---|------------------------|-----------------------|-------------------|------------------|
| <b>FY 2020 Adopted Budget</b>   | <b>\$ 232.10</b>  | <b>\$ 93.09</b>        | <b>\$ 16.82</b>       | <b>\$ 4.97</b>    | <b>\$ 346.98</b> |
| <b>Less:</b>  |   |                        |                       |                   |                  |
| Interfund Transfers   | \$ (33.99)  | \$ -                   | \$ (9.55)             | \$ -              | \$ (43.54)       |
| Allocated Charges   | \$ (20.89)  | \$ -                   | \$ -                  | \$ -              | \$ (20.89)       |
| Non-Proceeds  | \$ (51.11)  | \$ (89.35)             | \$ (9.61)             | \$ (4.97)         | \$ (155.04)      |
| <b>Net Appropriations Subject to Limit</b>  | <b>\$ 126.12</b>  | <b>\$ 3.74</b>         | <b>\$ (2.35)</b>      | <b>\$ -</b>       | <b>\$ 127.51</b> |
|  <p style="text-align: center;"><b>CITY OF<br/>PALO<br/>ALTO</b></p> | FY 2020 Per Capita Income Change (CA Department of Finance) |                        |                       |                   | 3.85%            |
|   | <i>Factor A</i>   |                        |                       |                   | 1.0385           |
|   | FY 2020 Population Change (Santa Clara County)              |                        |                       |                   | 0.33%            |
|   | <i>Factor B</i>   |                        |                       |                   | 1.0033           |
|   | <b>FY 2019 Adopted Appropriations Limit</b>                 |                        |                       |                   | <b>\$ 165.81</b> |
|   | <b>Factor A x Factor B</b>                                  |                        |                       |                   | 1.0419           |
|   | <b>FY 2020 Adopted Appropriations Limit</b>                 |                        |                       |                   | <b>\$ 172.76</b> |
|   | Net Appropriations Subject to Limit                         |                        |                       |                   | \$ 127.51        |
|   | <b>Amount Under the Limit</b>                               |                        |                       |                   | <b>\$ 45.25</b>  |

The City of Palo Alto remains well within its appropriations limit in FY 2020. 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, Capital Projects Fund, and Special Revenue Funds.

| Fiscal Year | Per Capita Income Factor | Population Change Factor | Total Adjustment Factor | Appropriations Limit | Appropriations Subject to Limit | Amount Under the Limit |
|-------------|--------------------------|--------------------------|-------------------------|----------------------|---------------------------------|------------------------|
| 2019        | 1.0367                   | 1.0040                   | 1.0408                  | \$ 164.84            | \$ 114.94                       | \$ 50.87               |
| 2018        | 1.0369                   | 1.0082                   | 1.0454                  | \$ 158.36            | \$ 131.49                       | \$ 26.88               |
| 2017        | 1.0537                   | 1.0130                   | 1.0674                  | \$ 151.48            | \$ 109.51                       | \$ 41.97               |
| 2016        | 1.0382                   | 1.0113                   | 1.0499                  | \$ 141.92            | \$ 100.60                       | \$ 41.31               |
| 2015        | 0.9977                   | 1.0150                   | 1.0127                  | \$ 135.17            | \$ 82.93                        | \$ 52.24               |
| 2014        | 1.0512                   | 1.0157                   | 1.0677                  | \$ 133.48            | \$ 90.28                        | \$ 43.20               |
| 2013        | 1.0377                   | 1.0124                   | 1.0506                  | \$ 125.01            | \$ 96.73                        | \$ 28.28               |
| 2012        | 1.0251                   | 1.0089                   | 1.0342                  | \$ 119.00            | \$ 89.00                        | \$ 30.00               |
| 2011        | 0.9746                   | 1.0144                   | 0.9886                  | \$ 115.06            | \$ 78.94                        | \$ 36.12               |
| 2010        | 1.0062                   | 1.0220                   | 1.0283                  | \$ 116.38            | \$ 72.00                        | \$ 44.38               |

On November 6, 1979, California voters approved Proposition 4, an initiative that added Article XIII B to the state Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. The Appropriations Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors.