



FY 2014 GANN LIMIT



AGENDA ITEM

Date: June 11, 2013
To: Honorable Mayor Ramona Padilla and Esteemed Council
From: Tamara Laken, Finance Director
Re: Establishing Annual Appropriations Limit for FY 2013-14

TYPE:

- Public Hearing
- Ordinance
- Consent Calendar
- Action Item
- Report Only**

Background:

In November of 1979, California voters approved Proposition 4, an initiative that added Article XIII B to the *California Constitution*. This constitutional amendment, known as the Gann Initiative, placed limits on the growth of expenditures for publicly funded programs. Division 9 of Title 1, beginning with Section 7900 of the *Government Code*, was then added to law to specify the process for calculating state and local government appropriations limits and appropriations subject to limitation under Article XII B of the *California Constitution*. These constitutional and statutory sections explain and define the appropriations limit and appropriations subject to limitation as they apply to state and local government, and require that each entity of government formally “adopt” its appropriations limit for a given fiscal year.

The attached schedules provide a 14-year history of the City of Lindsay Tax Appropriations Limits, Formula for determining the FY14 Rate Factor and Appropriations Limit, and Tax Appropriations subject to the FY14 limit. I have determined the Gann Appropriations Limit for FY 2013-14 is \$11,740,430 – the City of Lindsay remains well below the limit.

Recommendation:

Approval of the revised limit for FY 2012-13 Gann Appropriations Limit of \$10,828,370 and approval of the FY 2013-14 Gann Appropriations Limit of \$11,740,43.

Action Required:

Motion to approve the established limit for FY14, the revised limit for FY13, and to set a Public Hearing for formal adoption subsequent to a 15-day public review period.

FOURTEEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS
FOR FISCAL YEARS 2001 TO 2014

Fiscal Year	Per Capita Adjustment		Population Adjustment	=	Total Adjustment	Appropriations Limit
2001	1.0491	X	1.0040	=	1.0533	6,470,309
2002	1.0782	X	1.0020	=	1.0804	6,990,240
2003	0.9873	X	1.0053	=	0.9925	6,938,041
2004	1.0231	X	1.0159	=	1.0394	7,211,173
2005	1.0328	X	1.0127	=	1.0459	7,542,286
2006	1.0526	X	1.0201	=	1.0738	8,098,584
2007	1.0396	X	1.0094	=	1.0494	8,498,429
2008	1.0442	X	1.0001	=	1.0443	8,874,947
2009	1.0429	X	1.0434	=	1.0882	9,657,379
2010	1.0062	X	1.0156	=	1.0219	9,868,844
2011	0.9746	X	1.0116	=	0.9859	9,729,746
2012	1.0251	X	1.0219	=	1.0475	10,192,393
2013	1.0377	X	1.0238	=	1.0624	10,828,370
2014	1.0512	X	1.0077	=	1.0593	11,470,430

Source: California Department of Finance Demographic Research Unit

DETERMINING THE FY 2014 RATE FACTOR		
Per Capital Personal Income FY 2013-2014 % change vs PY		5.12 Attachment A
Population change by percent per DOF		0.77 Attachment B
Per Capita Cost of Living converted to a ratio:	$\frac{5.12+100}{100}$	1.0512
Population converted to a ration:	$\frac{.77+100}{100}$	1.0077
Calculation of factor for FY 2013-2014	$1.0512 \times 1.0077 =$	1.0593

Source: California Department of Finance Letter Dated May 2013

Attachment 1

FY 2014 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT	
Property Tax Secured	313,256
Property Tax Unsecured	23,720
Sales Tax	495,000
Street Franchise Fees	1,068,009
Business Licenses	62,500
ERAF S&U Tax	192,160
Property Transfer	4,500
Transient Occupancy Tx	40,225
Utility Users Tax	835,000
Property Tax VLF	865,000
Pub Safety 1/2 Cent Fund	35,000
COPS SLESF	50,000
Total Unadjusted Appropriations subject to the Limit	3,984,370

Source: FY 2014 Proposed Budget

Gann Limit for Fiscal Year 2014 11,470,430

Projected appropriations are below limit by: 7,486,060



EDMUND G. BROWN JR. ■ GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2013

Dear Fiscal Officer:

Subject: Price and Population Information

Appropriations Limit

The California Revenue and Taxation Code, section 2227, mandates the Department of Finance to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2013, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2013-14. Attachment A provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2013-14 appropriations limit. Attachment B provides city and unincorporated county population percentage change. Attachment C provides population percentage change for counties and their summed incorporated areas. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code section 2228 for further information regarding the appropriations limit. Article XIII B, section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website:
<http://leginfo.legislature.ca.gov/faces/codes.xhtml>.

Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. Revenue and Taxation Code section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2013.**

Please Note: Prior year's city population estimates may be revised.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

ANA J. MATOSANTOS
Director
By:

MICHAEL COHEN
Chief Deputy Director

Attachment

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost of living factor to compute their appropriation limit by a vote of their governing body. The cost of living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the fiscal year 2013-14 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2013-14	5.12

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2013-14 appropriation limit.

2013-14:

Per Capita Cost of Living Change = 5.12 percent
 Population Change = 0.79 percent

Per Capita Cost of Living converted to a ratio: $\frac{5.12 + 100}{100} = 1.0512$

Population converted to a ratio: $\frac{0.79 + 100}{100} = 1.0079$

Calculation of factor for FY 2013-14: $1.0512 \times 1.0079 = 1.0595$

**Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2012 to January 1, 2013 and Total Population, January 1, 2013**

County City	<u>Percent Change</u>	<u>Population Minus Exclusions</u>		<u>Total Population</u>
	2012-2013	1-1-12	1-1-13	1-1-2013
Tulare				
Dinuba	1.91	22,649	23,082	23,082
Exeter	0.46	10,439	10,487	10,487
Farmersville	0.42	10,841	10,886	10,886
Lindsay	0.77	12,281	12,376	12,376
Porterville	0.65	54,681	55,038	55,490
Tulare	0.79	60,722	61,199	61,199
Visalia	1.09	127,061	128,443	128,443
Woodlake	3.75	7,388	7,665	7,665
Unincorporated	0.70	144,867	145,885	145,971
County Total	0.92	450,929	455,061	455,599

*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.