



# City of Santa Clara

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## Agenda Report

20-478

Agenda Date: 6/23/2020

### REPORT TO COUNCIL

#### SUBJECT

Action on a Resolution Establishing the Fiscal Year 2020/21 Appropriations Limit [Council Pillar: Enhance Community Engagement and Transparency]

#### BACKGROUND

Annually, the City is required to calculate the expenditure appropriation limit from tax proceeds to determine compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990). On November 6, 1979, the California electorate passed Proposition 4, which created Article XIIIIB of the State Constitution placing limits on the amount of revenue that can be spent by governmental agencies. This constitutional amendment, also known as the GANN Initiative, placed limits on the growth of expenditures for publicly funded programs by restricting the amount of revenue that the City can appropriate in any fiscal year. Not all revenues are restricted by the limit, only those that are categorized as proceeds of taxes.

The City's limit has been based on actual appropriations during FY 1978/79, increased annually by an adjustment factor. On June 5, 1990, the California electorate approved Proposition 111, which modified the method of adjusting the annual Appropriations Limit. Beginning with the FY 1990/91 appropriations limit, the City may choose from the following indices when arriving at an adjustment factor:

1. The annual growth in the City's population or the annual growth in the County's population as provided by the State Department of Finance; and
2. The annual growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to new construction within the City.

#### DISCUSSION

The City is responsible for dividing citywide revenues between tax and non-tax revenue and applying the formula to the cumulative appropriation limit. For FY 2020/21, the appropriations limit was computed using the annual population growth of the City of Santa Clara (1.34%) and the annual growth in the California Per Capita Income (3.73%). Utilizing these adjustment factors, the appropriations limit for the City of Santa Clara in FY 2020/21 is \$503,467,316 (Schedule 1). As a result, this calculation limits the City from receiving more than \$503,467,316 in tax-based revenues in FY 2020/21. An analysis of the revenues generated from tax proceeds minus any exempted expenditures (such as debt service, capital outlay and federal mandates) resulted in total revenue subject to the appropriation limit of \$177,031,551 or 35.16% of the limit. The City's appropriations subject to the limit are \$326,435,765 below the FY 2020/21 appropriations limit. Therefore, the City is in compliance with Article XIIIIB of the California Constitution.

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Schedule 1 provides the history of the City's appropriations limits as adopted by the Council for FY 2011/12 through FY 2019/20 and the appropriations limit being recommended for adoption for FY 2020/21.

### **ENVIRONMENTAL REVIEW**

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(a) as it has no potential for resulting in either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment.

### **FISCAL IMPACT**

There is no fiscal impact to this report. By adopting the Resolution establishing the appropriations limit for FY 2020/21 the City will be in compliance with Propositions 4 and 111.

### **COORDINATION**

This report has been coordinated with the City Attorney's Office.

### **PUBLIC CONTACT**

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email [clerk@santaclaraca.gov](mailto:clerk@santaclaraca.gov) <<mailto:clerk@santaclaraca.gov>>.

### **RECOMMENDATION**

Adopt a Resolution establishing the City's FY 2020/21 appropriations limit of \$503,467,316.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. Schedule 1
2. Resolution for Appropriations Limit