

F. Fiscal Year 2024/2025 Appropriations Limit, Gann Initiative Limitation

Recommendation: To approve the City's appropriations limit for the FY 2024/2025, Gann Initiative Limitation.

THE GANN INITIATIVE LIMIT

In 1979, one year after Proposition 13 was adopted, the voters approved Proposition 4, referred to as the Gann Initiative. This proposition is now Article XIII B of the California Constitution. In June 1990, the original Article XIII B (Proposition 4) and its implementing Chapter 1205/80 were modified by Proposition III and SB88 (Chapter 60/90). The Gann Initiative was aimed at government spending and places limitations on appropriations of revenue from the “proceeds of taxes”. These proceeds are defined to include: (1) all tax revenues; (2) revenue from the investment of tax revenues; (3) revenue from user charges and regulatory fees to the extent it exceeds the reasonable cost of providing the service; and (4) local government subventions received from the State.

In order to determine the “Gann Limit”, the city was required to establish a base year 1981/1982 appropriations limitation. Each year this limitation has been adjusted to reflect changes in population and the cost of living. Beginning with the 1990/1991 Appropriations Limit, the annual adjustment factors changed. Instead of using the lesser of California Per Capita Income of U.S. CPI to measure inflation, each city may choose:

- The growth in the California Per Capita Income, OR
- The growth in the non-residential assessed valuation due to new construction with the city.

In addition, instead of using only the population growth of the City, each city may choose to use the population growth within its County. These are both annual elections.

After determining the dollar limit, the budgeted or anticipated “tax revenues” are calculated and compared to the “Gann Limit”. If the City exceeds its “Gann Limit” in any one year, they may avoid a tax refund if they fall sufficiently below the Limit in the next fiscal year. They then have two more years to refund any remaining excess by revising tax rates or fee schedules, or return monies already collected, or obtain a successful override vote.

The tax revenues of the City of Cathedral City are currently at about 47.78% of the “Gann Limit”, which indicates the City is not overtaxing its citizens.

The calculation for Fiscal Year 2024/2025 follows on the next page, along with a summary of the percentage changes in the cost of living and population since adopting the Gann Initiative. Based upon Proposition III and SB88 (Chapter 60/90) passed in June 1990, a revised limit for 1990/1991 is shown.

**CATHEDRAL CITY
2024/25 GANN LIMIT CALCULATION**

Fiscal Year	Per Capita Income Change Factor	Population Change Factor	% Change Factor (CPI) or Per Capita X Population	Annual Limitation
2005/2006	1.0526	1.0387	1.093	\$41,960,141
2006/2007	1.0396	1.0345	1.075	\$45,126,714
2007/2008	1.0442	1.0331	1.079	\$48,681,030
2008/2009	1.0429	1.0271	1.071	\$52,145,298
2009/2010	1.0062	1.0144	1.021	\$53,224,147
2010/2011	0.9746	1.0140	0.988	\$52,598,465
2011/2012	1.0251	1.0181	1.044	\$54,894,615
2012/2013	1.0377	1.0107	1.049	\$57,573,658
2013/2014	1.0512	1.0100	1.062	\$61,126,644
2014/2015	0.9977	1.0112	1.009	\$61,669,096
2015/2016	1.0382	1.0129	1.052	\$64,850,776
2016/2017	1.0537	1.0126	1.067	\$69,194,262
2017/2018	1.0369	1.0156	1.053	\$72,866,792
2018/2019	1.0367	1.0140	1.051	\$76,598,577
2019/2020	1.0385	1.0117	1.051	\$80,478,329
2020/2021	1.0373	1.0079	1.045	\$84,139,664
2021/2022	1.0573	1.0091	1.067	\$89,770,411
2022/2023	1.0755	1.0042	1.080	\$96,953,579
2023/2024	1.0444	1.0034	1.048	\$101,602,596
2024/2025	1.0362	1.0055	1.042	\$105,859,654

PURSUANT TO GOVERNMENT CODE SECTION 37200

2024/2025	Appropriations Subject to Limitation	50,586,367
	Appropriations Limit	<u>\$105,859,654</u>
	Amount Under Limit	<u><u>\$55,273,287</u></u>

RESOLUTION NO. 2024-__

**A RESOLUTION BY THE CITY COUNCIL OF THE CITY OF
CATHEDRAL CITY, CALIFORNIA, ESTABLISHING THE
CITY'S APPROPRIATION LIMIT FOR FISCAL YEAR 2024/2025**

WHEREAS, Section 7910 of the Government Code of the State of California provides that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the following year; and

WHEREAS, the appropriations limit for the preceding fiscal year was duly and regularly established as \$101,602,596 by Resolution of the City Council; and

WHEREAS, Section 7902(b) of the Government Code sets forth the method for determining the said appropriations limit, to be based upon the limit applicable for the prior fiscal year and adjusted for changes in the cost-of-living and in population (City or County, whichever is greater).

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Cathedral City as follows:

SECTION 1. The appropriations limit for the City of Cathedral City, as established in accordance with Section 7902(b) of the California Government Code, for the fiscal year 2024/2025 is \$105,859,654.

SECTION 2. It is hereby found and determined that in compliance with Government Code Section 7910, the documentation used in the determination of said appropriations limit for fiscal year 2024/2025 will be available to the public in the Finance Department of the City and in the Office of the City Clerk at least fifteen days prior to this date.

APPROVED AND ADOPTED THIS _____ DAY OF _____, 2024.

MAYOR

ATTEST:

APPROVED AS TO CONTENT:

CITY CLERK

DEPARTMENT HEAD

APPROVED:

CITY MANAGER