

Agenda Report

June 10, 2024

TO: Honorable Mayor and City Council
FROM: Department of Finance
SUBJECT: **ADOPTION OF GANN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2025**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the action proposed herein is exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061(b)(3)(Common Sense Exemption); and
2. Adopt a Resolution that:
 - a. Selects the California per capita income and the population increase for the City of Pasadena as the indices to be used in calculating the appropriations limit for Fiscal Year (FY) 2025;
 - b. Establishes the appropriations limit for FY 2025 at \$401,105,657; and
 - c. Establishes appropriations subject to the limit for FY 2025 at \$198,607,094.

BACKGROUND:

An annual appropriations limit of tax proceeds of the General Fund, established by the City Council through a resolution, is required as a result of the 1979 Proposition 4, Gann Initiative, Article XIII B of the State Constitution, Section 7910 of the Government Code as implemented by Senate Bill 1352. This limit, referred to as the Gann Limit, limits the level of appropriations from tax sources that state and local governments are permitted to make in any given year. It also requires these agencies to return to taxpayers any tax revenues in excess of the limit.

On May 23, 2024, a notice was published in the *Pasadena Press* announcing the City Council's consideration of this item and stating that the calculations made to arrive at the appropriations limit are available for review at the Department of Finance upon request.

Per the League of California Cities Uniform Guidelines, the FY 2025 appropriations limit was calculated by applying the population and inflation factors to the prior year limit. The City of Pasadena population change is 1.09 percent. Per the California State Department of Finance, the year-over-year change in personal income is 3.62 percent; the application of these changes results in a 4.75% percent increase to the City's appropriation limit from \$382,922,471 for FY 2024 to \$401,105,657 for FY 2025.

The appropriations limit is applied only to expenditures funded through tax proceeds. The limit is further reduced by expenditures for debt service or capital; therefore, the appropriations subject to the limit in the City's FY 2025 budget is \$198,607,094. The recommended budget subject to the Gann Limit is \$202,498,563 under the calculated maximum amount of appropriations.

Appropriations Limit for FY 2025	\$401,105,657
Appropriations Subject to the Limit	<u>198,607,094</u>
Amount Under the Limit	\$202,498,563

COUNCIL POLICY CONSIDERATION:

The City Council's strategic planning goal of maintaining fiscal responsibility and stability will be advanced through the review and adoption of the Gann Appropriations Limit for FY 2025.

ENVIRONMENTAL ANALYSIS:

The action proposed herein has been determined to be exempt from the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 15061(b)(3), the "Common Sense" exemption that CEQA applies only to projects which have the potential for causing a significant effect on the environment. Where it can be seen with certainty that there is no possibility that the activity in question may have a significant effect on the environment, the activity is not subject to CEQA. Such is the case with the proposed action to adopt a resolution that will limit the level of appropriations from tax sources that the City is permitted to make in FY 2025, where the action will not cause a significant change to the environment.

FISCAL IMPACT:

There is no fiscal impact as a result of this action and there will be no indirect or support cost requirements.

Respectfully submitted,



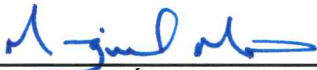
MATTHEW E. HAWKESWORTH
Director of Finance
Department of Finance

Prepared by:



Flora Karmiryan
Principal Administrative Analyst
Department of Finance

Approved by:



MIGUEL MÁRQUEZ
City Manager