

Agenda Report

June 16, 2025

TO: Honorable Mayor and City Council

FROM: Department of Finance

SUBJECT: **ADOPT A RESOLUTION ESTABLISHING THE GANN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2026**

RECOMMENDATION:

It is recommended that the City Council:

1. Find that the proposed action is not a “project” subject to the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines Section 21065 and within the meaning of Section 15378(b); 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) 2026;
 - b. Establishes the appropriations limit for FY 2026 at \$428,695,773; and
 - c. Establishes appropriations subject to the limit for FY 2026 at \$194,962,153.

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 29, 2025, 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 2026 appropriations limit was calculated by applying the population and inflation factors to the prior year limit. The City of Pasadena population change is 0.41 percent. Per the California State Department of Finance, the year-over-year change in personal income is 6.44 percent. The application of these changes results in a 6.88 percent increase to the City’s appropriation limit from \$401,105,657 for FY 2025 to \$428,695,773 for FY 2026.

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 2026 budget is \$194,962,153. The recommended budget subject to the Gann Limit is \$233,733,620 under the calculated maximum amount of appropriations.

Appropriations Limit for FY 2026	\$428,695,773
Appropriations Subject to the Limit	<u>194,962,153</u>
Amount Under the Limit	\$233,733,620

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 2026.

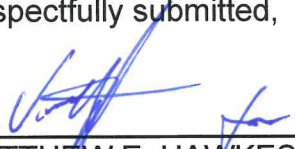
ENVIRONMENTAL ANALYSIS:

CEQA excludes, from environmental review, actions that are not “projects” as defined by CEQA Guidelines Section 21065 and within the meaning of Section 15378(b). Sections 21065 and 15378(b) define a project as an action which may cause either a direct physical change in the environment, or a reasonably foreseeable indirect physical change in the environment. Section 15378 excludes from the definition of “project” organizational or administrative activities of governments that will not result in direct or indirect physical changes in the environment. The action proposed herein, adopting a resolution that will limit the level of appropriations from tax sources that the City is permitted to, is an administrative activity, and therefore is not a “project” as defined by CEQA. Since the action is not a project subject to CEQA, no environmental document is required.

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,




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