



CITY COUNCIL STAFF REPORT

MEETING DATE: June 9, 2025

ITEM TITLE: Consideration of Adopting a Resolution Electing the Population and Price Adjustment Factors and Establishing the Fiscal Year (FY) 2025-26 Appropriations Limit of the City of San Carlos, Pursuant to California Constitution Article XIII B and Section 7900 Et Seq. of the California Government Code.

RECOMMENDATION:

Staff recommend that the City Council adopt a Resolution electing the Population and Price Adjustment Factors and establishing the Fiscal Year (FY) 2025-26 Appropriations Limit of the City of San Carlos, pursuant to California Constitution Article XIII B and Section 7900 et seq. of the California Government Code.

FISCAL IMPLICATIONS:

There are no fiscal implications associated with adopting the proposed Resolution. The City of San Carlos ("City") is below the calculated appropriations limit.

BACKGROUND:

In 1980, California voters adopted Article XIII B of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, placing limits on the amount of tax proceeds that state and local agencies can appropriate each year. The City's limit is adjusted each year for inflation, population, and other factors.

On June 5, 1990, Proposition 111 was voted into California law. Among other provisions, Proposition 111 provided for changes in the calculation of the Gann Appropriations Limit. The annual adjustments to the spending limit were liberalized by Proposition 111 to be more closely linked to the rate of economic growth in personal income. Additionally, cities can choose to use the rate of change in population either within the city or county, whichever is higher. The City used elements of these adjustment factors in calculating this year's Gann Appropriations Limit. The Gann calculation is reviewed annually by the City's external audit firm as part of the annual audit process.

ANALYSIS:

Section 7910 of the State Government Code requires a governing body to annually adopt by resolution, an Appropriations (Gann) Limit for the upcoming fiscal year.

The indexes used in calculating the appropriation limit for FY 2025-26 are the percentage change in the California Per Capita Personal Income (6.44%) and San Mateo County's population growth

(0.07%), totaling a combined growth rate of 6.51%. The resulting appropriation limit for FY 2025-26 is \$123,598,425. Appropriations subject to the limit total are \$44,480,678, or 35.99% of the appropriation limit. Therefore, the City is substantially below the maximum allowable appropriation limit and in compliance with state law.

ALTERNATIVES:

The alternatives available to the City Council include:

1. Adopt the Resolution electing the Population and Price Adjustment Factors and establishing the FY 2025-26 Appropriations Limit of the City of San Carlos, pursuant to California Constitution Article XIII B and Section 7900 Et Seq. of the California Government Code; or
2. Do not adopt the Resolution; or
3. Provide staff with alternative direction.

Respectfully submitted by:

Rebecca Mendenhall, Administrative Services Director

Approved for submission by:



Jeff Maltbie, City Manager

ATTACHMENT(S):

1. Resolution
2. GANN Appropriation FY 2025-26