

APPROPRIATIONS LIMIT CALCULATION

Article XIII B of the California State Constitution, commonly referred to as the Gann Initiative or Gann Appropriations Limit, was adopted by California voters in 1980 and placed limits on the amount of proceeds of taxes that State and local agencies can appropriate and spend each year.

The limit is different for every agency and changes each year. The annual limit is based on the amount of tax proceeds that were authorized to be spent in fiscal year 1978-79, modified for changes in inflation and population. Inflationary adjustments are based on increases in the California per capita income or the increase in non-residential assessed valuation due to new construction. An adjustment is also made based on changes in Manhattan Beach's population or County population.

For fiscal year 2016-2017, the estimated tax proceeds appropriated by the Manhattan Beach City Council are under the Limit. The adjusted Appropriation Limit for fiscal year 2016-2017 is \$73,083,594. This amount is the maximum amount of tax proceeds the City is able to appropriate and spend in fiscal year 2016-2017. The appropriations subject to the Limit are \$47,325,321, leaving the City with an appropriations capacity of \$25,758,273.

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

SPENDING LIMIT CALCULATION - FISCAL YEAR 2016-2017

Appropriations subject to limit

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|--|----------------------------|
| Fiscal year 2016-2017 Revenues (all funds) | \$113,843,415 |
| Less: Non tax proceeds | 66,518,094 |
| Plus: User fees in excess of costs | - |
| Total appropriations subject to limit | <u>\$47,325,321</u> |

Appropriation limit

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|--|--------------|
| Fiscal year 2015-2016 adjusted appropriation limit | \$68,774,432 |
| A. Population adjustment (Based on change in City/County population) | 1.008500 |
| B. Change in per capita income | 1.053700 |

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|--|----------------------------|
| Total Annual Adjustment = (A multiplied by B) | <u>1.0626565</u> |
| Increase in appropriation limit | \$4,309,162 |
| Fiscal year 2016-2017 appropriation limit | <u>\$73,083,594</u> |

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|----------------------------------|----------------------------|
| Appropriations subject to limit | <u>\$47,325,321</u> |
| Remaining appropriation capacity | \$25,758,273 |

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| Available capacity as a percent of appropriation limit | 35.24% |
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