



INDIAN WELLS CITY COUNCIL

June 20, 2024

To: City Council
From: Finance Department
Prepared by: Kevin McCarthy, City Finance Director
Subject: **City's Appropriations Limitation for Fiscal Year 2024-25**

RECOMMENDED ACTIONS:

Council **ADOPTS** Resolution establishing the City's Appropriations Limitation for fiscal year 2024-25; and

FINDS the action to be exempt from the provisions of the California Environmental Quality Act (CEQA) pursuant to Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3).

DISCUSSION:

In November 1979, voters approved Proposition 4, which amended the California Constitution by adding Article XIII B. This amendment established what is commonly known as the "Gann Limit," named after Paul Gann, one of its authors. Article XIII B imposed limits on the amount of revenue that state and local governments could spend each year. The spending cap was based on the previous year's expenditures, adjusted for inflation and population growth.

The primary purpose of these limits is to control government spending and ensure that tax revenues are used efficiently and responsibly, preventing excessive taxation and promoting fiscal discipline. This reassures us that our financial decisions are guided by these limits, preventing any potential for excessive taxation and promoting fiscal discipline.

The appropriation limit, defined as the maximum amount of tax revenue the City is legally allowed to collect, is crucial for maintaining transparency and accountability in government finances. Each fiscal year, the City Council, as the key decision-maker, sets this limit to align with the legal requirements and the community's financial needs. Your role in this process is invaluable and ensures that the City's financial decisions are in line with the community's needs.

For the upcoming fiscal year, the City's appropriation limit is set at \$121,193,470. With estimated tax proceeds of \$22,105,256, the City will utilize only 18.2396% of its limit for the Fiscal Year 2024/25 budget. This calculation is important because it demonstrates the City's compliance with legal constraints and its commitment to fiscal prudence. Additionally,

the City's auditing firm reviews these calculations during the annual audit, ensuring accuracy and reinforcing public trust in the City's financial management.

CALIFORNIA ENVIRONMENTAL QUALITY ACT (CEQA):

This action has been reviewed per the authority and criteria contained in the California Environmental Quality Act (CEQA), the State and local CEQA Guidelines, and the City's environmental regulations. The City, acting as the Lead Agency, determined that this resolution is not subject to CEQA pursuant to Sections 15060(c)(2), 15060(c)(3), and 15061(b)(3) of the State CEQA Guidelines, because it will not result in a direct or reasonably foreseeable indirect physical change to the environment as there is no possibility that the action would result in a significant environmental impact, and because it does not constitute a "project" as defined in Section 15378 of the State CEQA Guidelines, California Code of Regulations, Title 14, Chapter 3.

ATTACHMENTS:

1. Resolution
2. Price Factor and Population Information