



Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: COUNCILMEMBER
NANCY PYLE

SUBJECT: ADOPTION OF A RESOLUTION
ESTABLISHING THE FY 2012-1013
APPROPRIATION LIMIT

DATE: June 18, 2012

APPROVED: *Nancy Pyle (KS)*

DATE: *6-18-12*

RECOMMENDATION:

Approve staff's recommendation to adopt a resolution to set the City's 2012-2013 "Gann Limit."

BACKGROUND:

The "Gann Limit," which is set by the State of California, establishes a limit on the amount of revenue (sales tax, property tax, utility tax, business taxes, telephone line tax) that cities can collect. This limit is determined automatically, based upon population and adjusted for inflation.

In 2006-2007, the City of San Jose collected revenue that amounted to 72.4% of our Gann Limit. That is, we collected only \$499 million of the \$689 million that we are permitted to collect. The percentage collected by the City under the Gann Limit has continued to fall and in 2012-2013, it is estimated that we will collect approximately 63.2% of our limit. If we were able to maintain the collection rate of 72.4%, it would mean an additional \$79 million to the City General Fund.

After ten straight years of budget deficits and with a projected \$22 million deficit for the 2013-2014 fiscal year, we cannot continue to ignore the fact that the City of San Jose is not collecting enough revenue. The City Manager's Fiscal Reform Plan has indicated that a revenue increase is necessary. For example, a half percent Sales Tax measure is estimated to bring in at least \$64 million and will provide us the opportunity to keep pace with inflation and population growth.