

## Agenda Report

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**SUBJECT:**

### **GANN APPROPRIATIONS LIMIT FOR FISCAL YEAR 2021-22**

#### **GENERAL MANAGER'S RECOMMENDATION**

**RECOMMENDATION:** Recommend to the Board of Directors to:

Adopt Resolution No. OC SAN 21-XX, entitled: "A Resolution of the Board of Directors of the Orange County Sanitation District Establishing the Annual Appropriations Limit for Fiscal Year 2021-22 for the Sanitation District in accordance with the Provisions of Division 9 of Title 1 of the California Government Code".

#### **BACKGROUND**

This routine annual action adopts a resolution establishing the spending limit for "proceeds of taxes" in accordance with Article XIII B of the Constitution of the State of California (Section 7910 of the Government Code). The Orange County Sanitation District's (OC San) annual appropriations are well below the limit.

In 1979, Proposition 4 (the Gann Initiative) was approved adding Article XIII B to the State Constitution. The provisions of this article place limits on the amount of revenue that can be appropriated by all entities of government. This initiative was designed to constrain government expenditures by placing an annual limit on jurisdictions' revenue and appropriation growth. The Appropriations Limit is based on actual appropriations during the 1978-1979 fiscal year, as increased each year using specified population and inflationary growth factors. This annual allowance growth is linked to changes in population and cost of living. The passage of Proposition 111 in June 1990 amended Article XIIIB, making changes in the base year upon which the appropriations limit is based, establishing new cost of living factors and new population factors for use by local governments, and increasing appropriations not subject to the limit (primarily qualified capital outlay projects). The financial constraints of Article XIII B apply to the State, all cities, counties, special districts, and all other political subdivisions.

#### **RELEVANT STANDARDS**

- Produce Operations and CIP budgets every two years, with annual update

## **PROBLEM**

Article XIII B of the State Constitution places limits on the amount of revenue that can be appropriated by all entities of government.

## **PROPOSED SOLUTION**

Approval of the proposed Resolution establishing the annual appropriations limit for fiscal year 2021-22 in accordance with the provisions of Division 9 of Title 1 of the California Government Code.

## **TIMING CONCERNS**

The proposed one-year budget, effective July 1 of this year, will be finalized and presented to the Board for adoption in June. The appropriations limit Resolution needs to be approved in conjunction with the budget.

## **RAMIFICATIONS OF NOT TAKING ACTION**

OC San will not be able to carry out its financial fiduciary duties beyond June 30, 2021.

## **ATTACHMENT**

*The following attachment(s) may be viewed on-line at the OC San website ([www.ocsan.gov](http://www.ocsan.gov)) with the complete agenda package:*

- Draft Resolution No. OC SAN 21-XX