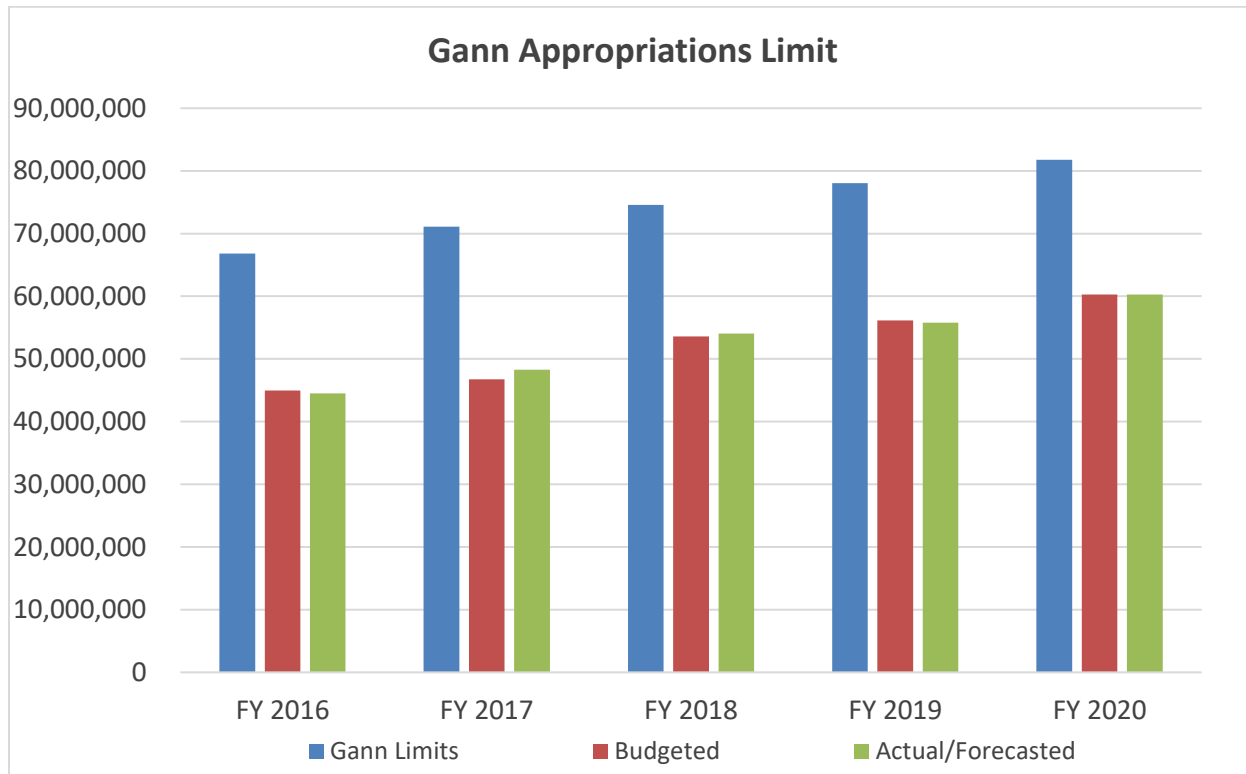


Proposition 4 – Government Spending Limits

In November 1979 voters passed Proposition 4, also known as the Gann Initiative. Proposition 4 Article XIII (B) of the California Constitution provides that the City's annual appropriations be subject to certain State limitations. This appropriation limit is referred to as the Gann Spending Limitation. The calculation limits the increase in annual appropriations to a factor, which is based on a combination of population growth, State per capita income change, and the change in assessment value for non-residential property. Appropriations for proprietary related activities, such as water, wastewater, airport, etc., and Redevelopment functions are not subject to the limit. When the limit is exceeded, Proposition 4 requires the surplus to be returned to the taxpayers within two years. Appropriations in the two-year period can be averaged before becoming subject to the excess revenue provisions of the Gann limit.

The City of Rialto uses the prior year's limitation (\$78,029,451) times the State capita per income change (1.0385) times the population growth of San Bernardino County (1.0090) to calculate the current year's limitation, which is \$81,762,887. This calculation maintains a safe cushion for the City's financial health.



Following is the Gann Spending Limit calculation for the current year.

City of Rialto
Calculation of Gann Spending Limitation
For the 2019/2020 Fiscal Year

Step 1

Determine Maximum Limit for Current Year's Appropriations from
Proceeds of Taxes

2019/2020 appropriations subject to limitation (Base year appropriations from "proceeds of taxes")		<div style="border: 1px solid black; padding: 2px;">78,029,451</div>
Roll forward for change in State per capita income (1.0385) times the change in County population (1.009)	x	<u>1.0478</u>
Maximum limit for current year's appropriations from "proceeds of taxes"		<u><u>81,762,887</u></u>

Step 2

Allocate Revenues Between "Proceeds Of Taxes" and "Nonproceeds Of Taxes"

Governmental Fund Type Revenues (subject to limitation)		
Proceeds of Taxes	60,275,119	
Nonproceeds of Taxes	<u>53,665,553</u>	
Total Revenues		<u><u>113,940,672</u></u>

Step 3

Determine Current Year's Actual Appropriations From Proceeds of Taxes

Budgeted appropriations (all governmental fund types subject to limitation)		108,053,951
Less: nonproceeds of taxes (per Step 2)	53,665,553	
Less: exclusions provided under Section 9 of Gann:		
Appropriations for Debt Service	722,643	
Appropriations for additional services mandated by courts or federal government	0	
Budgeted appropriations from "Proceeds of Taxes" before increase in contingency reserves		53,665,755

Add: Current year's increase in contingency reserves in governmental funds. Increase would be the lesser of the "allowable" increase or the actual increase in fund balances in governmental funds for the year

Allowable Increase

Maximum limit for current year's appropriations (per Step 1)	81,762,887
Budgeted "Proceeds of Taxes"	<u>53,665,755</u>
Allowable Increase	<u><u>28,097,132</u></u>

Fund Balance Change

Beginning Fund Balance	140,987,541
Ending Fund Balance	<u>146,874,262</u>
Change Increase (Decrease)	<u><u>5,886,721</u></u>

Current Year's Actual Appropriations from "Proceeds of Taxes"	<u><u>59,552,476</u></u>
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Step 4

Comparison of Current Year's Actual Appropriations From "Proceeds of Taxes" and Maximum Limit

Maximum limit for appropriations from "Proceeds of Taxes" (Step 1)	<u><u>81,762,887</u></u>
Actual appropriations from "Proceeds of Taxes" (Step 3)	<u><u>59,552,476</u></u>

Step 5

Comparison of "Proceeds of Taxes" and Appropriations From "Proceeds of Taxes"

Proceeds of Taxes (Step 2)	60,275,119
Appropriations limit from "Proceeds of Taxes" (Step 1)	<u>81,762,887</u>
Extra appropriations available under limit	<u><u>21,487,768</u></u>

City of Rialto
Estimated Proceeds of Taxes
For the 2019/2020 Fiscal Year

TAXES		
PROPERTY TAXES	7,350,000	
IN LIEU PROPERTY TAX (VLF)	13,830,000	
PERS RETIREMENT TAX	200	
SALES TAX	19,890,050	
IN LIEU PROPERTY TAX (SALES TAX)	0	
TRANSIENT LODGING TAX	250,000	
PROPERTY TRANSFER TAX	500,000	
UTILITY USERS TAX	13,058,239	
OTHER TAX	0	
		54,878,489
LICENSES AND PERMITS		
BUSINESS LICENSE	3,000,000	
CONTRACTORS LICENSE	100,000	
TRUCK DELIVERY LICENSE	40,000	
		3,140,000
REVENUE FROM OTHER AGENCIES		
MOTOR VEHICLE IN-LIEU TAX	52,000	
OFF HIGHWAY LICENSE TAX	0	
		52,000
PROPERTY TAX ASSESSMENTS		
LANDSCAPE & LIGHTING DISTRICT	812,200	
LANDSCAPE MAINTENANCE	550,850	
STREET LIGHTING	841,580	
		2,204,630
TOTAL PROCEEDS OF TAXES		60,275,119