
MENLO PARK FIRE PROTECTION DISTRICT

STAFF REPORT

TO: Board of Directors
FROM: Administrative Services

MEETING DATE: May 20, 2025
PREPARED BY: Allain Mallari
APPROVED BY: Francine Hunt

**ITEM: DISCUSS THE ANNUAL APPROPRIATION LIMIT OF \$179,156,931 FOR
FISCAL YEAR 2025-26**

RECOMMENDATION

It is recommended that the Board of Directors:

1. Accept the report as presented; and
2. Discuss the FY 2025-26 Annual Appropriation Limit.

BACKGROUND

In November 1979, California voters approved Proposition 4, also known as the Gann Initiative, following the tax limitations established by Proposition 13. This constitutional amendment, named after anti-tax advocate Paul Gann, added Article XIII B to the California State Constitution, placing limits on the amount of government revenue that can be appropriated in any given fiscal year.

Under this provision, each government agency is required to adopt an annual appropriation limit by resolution at a regularly scheduled or specially noticed meeting before July 1 of each year. This limit can be calculated using two population growth measures, city or county, along with inflationary adjustments. For fiscal year 2025–26, the District is using San Mateo County’s percentage change in population to compute its appropriation limit.

The District’s base appropriation limit was established using actual appropriations from the 1986–87 fiscal year, with annual adjustments based on population and inflation growth factors. This limit applies only to revenues classified as “proceeds of taxes”, including:

- Tax revenues;
- Interest earned on invested tax revenues; and
- Regulatory or service fees and charges that exceed the cost of service.

Certain revenues are excluded from this limit, such as those related to natural disaster recovery and qualified capital outlay expenditures.

DISCUSSION

The appropriation limit is adjusted annually based on population and per capita income changes provided annually by the California Department of Finance. This updated information was received from the Department of Finance in May. Enclosed is the appropriation limit calculation, based on the updated information as well as allowable appropriation limit adjustment factors. The appropriation limit for FY 2025-26 is \$179.2 million for funds subject to the appropriation limit. The District's FY 2025-26 budgeted appropriations are estimated to be \$86.9 million under the limit. In compliance with state law, documentation used to compute the appropriation limit should be made available to the public at least fifteen days prior to the Board meeting at which the appropriation limit is being adopted.

The table below presents the calculation of the annual appropriation limit for FY 2025-26:

GANN Appropriation Limit Fiscal Year 2025-26		
	Amounts	Source
A. Appropriation Limit FY 2024-25	\$168,199,557	Prior Year
B. Calculation Factors:		
1. Population change in %	1.0007	State Department of Finance (San Mateo County) State Department of Finance (B1 * B2)
2. Per capita income change in %	1.0644	
3. Total adjustment in %	1.0651	
C. Annual Adjustment	\$10,957,374	[A * (B3 – 1)]
D. Other Adjustments	\$ -	Not Applicable
E. Total Adjustments	\$10,957,374	(C + D)
F. Appropriation Limit FY 2025-26	\$179,156,931	(A + E)
G. Appropriation Subject to Limit in FY 2025-26	\$92,259,615	Proceeds of Taxes and Allocated Interest Earnings
H. Amount Under the Limit	\$86,897,316	(F – G)

FISCAL IMPACT

There is no direct financial impact associated with the FY 2025-26 appropriation limit.

ATTACHMENTS

- A. GANN Appropriation Limit Compliance Calculation
- B. California Department of Finance Price and Population Factor Information