City of Arts & Innovation

City Council Memorandum

TO: **HONORABLE MAYOR AND CITY COUNCIL** **DATE: JUNE 24, 2025**

FROM: **FINANCE DEPARTMENT** **WARDS: ALL**

SUBJECT: **ANNUAL APPROPRIATIONS LIMIT OF $465,304,960 - RESOLUTION**

ISSUE:

Adopt a Resolution establishing the Fiscal Year 2025/26 Appropriations Limit of $465,304,960 as required by Article XIIIB of the State Constitution.

RECOMMENDATION:

That the City Council adopt a Resolution establishing the Fiscal Year 2025/26 Appropriations Limit of $465,304,960 as required by Article XIIIB of the State Constitution.

LEGISLATIVE HISTORY:

Article XIIIB of the California Constitution was added by the November 1979 passage of the Gann Initiative. For the State and local governments, this legislation mandated that the total annual appropriations subject to the limitation shall not exceed the prior year's Appropriations Limit, adjusted for the change in the cost of living and population, except as otherwise provided in that article. The Gann Initiative is implemented by Section 7900 et. seq. of the California Government Code. Section 7910 provides that the governing body of each jurisdiction shall annually establish its Appropriations Limit by resolution.

The Appropriations Limit is calculated by determining appropriations financed by proceeds of taxes in the Fiscal Year 1978/79 base year and adjusting the limit each subsequent year for changes in the cost of living and population. This Appropriation Limit is the maximum limit of proceeds from taxes the City may collect or spend each year. Appropriations financed by proceeds of taxes are limited to actual revenues collected if they are lower than the limit. The Appropriations Limit may be amended at any time during the fiscal year to reflect new data.

BACKGROUND:

An annual appropriations limit established by City Council Resolution is required as a result of the 1979 Proposition 4 (Gann Initiative), Article XIIIB of the State Constitution, and Section 7910 of the Government Code. This limit is adjusted annually using a cost-of-living factor and a population factor.

On May 20, 2025, the City Council received the calculation for the Fiscal Year (FY) 2025-26 appropriations limit.

The cost-of-living adjustment may be based on the change in California per capita personal income or the percentage change in the local assessment roll from the preceding year due to the addition of local non-residential new construction. The population adjustment may be based on the changes in the City population or population growth within the County. The annual adjustment factors used for the Fiscal Year (FY) 2025-26 calculation uses the change in California per capita income and the change in the City's population.

DISCUSSION:

Based on the current calculation, the City's FY 2025/26 Annual Appropriations Limit is $465,304,960. Actual proceeds from taxes available for appropriations and state subventions as estimated in the FY 2025/26 proposed budget, minus qualified exclusions, are $373,020,746, which is $92,284,214 or 19.8% below the limit.

CALCULATED LIMIT	**$ 465,304,960**
Estimated Proceeds From Taxes	$ 417,594,112
State Subventions	11,400,000
Debt Service Exclusions	(31,314,976)
Qualified Capital Outlay Exclusions	(24,658,389)
Appropriations Subject to Limit	**$ 373,020,746**
Variance $	**$ 92,284,214**
Variance %	**19.8%**

The City is required to make all documentation used in determining the FY 2025/26 Appropriations Limit available for review by the public fifteen (15) days prior to adoption of the resolution. This documentation is available in the Finance Department for review.

STRATEGIC PLAN ALIGNMENT:

This item contributes to **Strategic Priority 5 - High Performing Government** and **Goal 5.3:** Enhance communication and collaboration with community members to improve transparency, build public trust and encourage shared decision making.

This item aligns with each of the five Cross-Cutting Threads as follows:

1. **Community Trust:** The calculation of the Appropriations Limit is a transparent process as all documentation used in determining the FY 2025/26 Appropriations Limit is available for review by the public at least fifteen (15) days prior to adoption of the resolution. This documentation is available in the Finance Department for review.

2. **Equity:** This report is neutral toward this cross-cutting thread.

3. **Fiscal Responsibility:** Ensuring proceeds from taxes the City may collect or spend each year and appropriations financed by proceeds of taxes are limited to actual revenues collected if they are lower than the limit demonstrates the City's commitment to responsible management of the City's financial resources while providing quality public services.

4. **Innovation:** This report is neutral toward this cross-cutting thread.

5. **Sustainability and Resiliency:** This report is neutral toward this cross-cutting thread.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by:	Jorge Rocha, Senior Management Analyst
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Certified as to availability of funds:	Kristie Thomas, Finance Director/Assistant Chief Financial Officer
Approved by:	Edward Enriquez, Assistant City Manager/Chief Financial Officer/ City Treasurer
Approved as to form:	Rebecca McKee-Reimbold, Interim City Attorney

Attachments:
1. Resolution
2. Appropriations Limit Calculation