



# City Council Memorandum

City of Arts & Innovation

TO: HONORABLE MAYOR AND CITY COUNCIL DATE: JUNE 8, 2021  
FROM: FINANCE DEPARTMENT WARDS: ALL  
SUBJECT: FISCAL YEAR 2021/22 ANNUAL APPROPRIATIONS LIMIT

**ISSUE:**

Provide the public the opportunity to review the information used to develop the Fiscal Year 2021/22 Appropriations Limit as required by Article XIII B of the California Constitution.

**RECOMMENDATIONS:**

That the City Council provide the public, in accordance with Section 7910 of the Government Code, an opportunity to review the information used to develop the Appropriations Limit of \$380,236,555 for Fiscal Year 2021/22.

**BACKGROUND:**

Article XIII B of the California Constitution was added by the November 1979 passage of the Gann Initiative. For State and local governments, this legislation mandated that the total annual appropriations subject to the limitation shall not exceed the prior year 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 (FY) 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.

The cost of living adjustment may be based upon the changes in the California per capita personal income or the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential 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 FY 2021/22 calculation uses the change in California per capita income and the change in the City's population.

Based on the current calculation, the City's FY 2021/22 Annual Appropriations Limit is \$380,236,555. Actual proceeds from taxes available for appropriations as estimated in the FY 2021/22 budget are \$274,766,512, which is \$105,470,043 or 27.7% less than our limit.

Staff recently conducted a review of all past calculations dating back to inception so as to ensure accuracy and consistency in the calculation methodology applied, including rounding and population. During the review, staff noted rounding differences and immaterial errors in prior year calculations; those items have been corrected to ensure a consistent methodology across all years, and the Gann Limit noted in Attachment 1, Column I has been updated to reflect the correct values. Staff also confirmed that the City did not exceed the revised Appropriations Limit in any year.

The City is required to make all documentation used in determining the FY 2021/22 Appropriations Limit available for review by the public fifteen days prior to adoption of the resolution. This documentation is available in the Finance Department for review.

On June 22, 2021, the City Council will be asked to adopt a resolution establishing the City of Riverside's Fiscal Year 2021/22 Appropriations Limit at \$380,236,555.

**FISCAL IMPACT:**

There is no fiscal impact associated with this report.

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Approved by:	Moises Lopez, Deputy City Manager
Approved as to form:	Kristi J. Smith, Interim City Attorney

Attachments:

1. Calculation
2. Presentation