



City of Arts & Innovation

City Council Memorandum

TO: HONORABLE MAYOR AND CITY COUNCIL **DATE: JUNE 23, 2026**
FROM: FINANCE DEPARTMENT **WARDS: ALL**
SUBJECT: FISCAL YEAR 2026/27 ANNUAL APPROPRIATIONS LIMIT OF \$490,785,658 -
RESOLUTION

ISSUE:

Adopt a Resolution establishing the Fiscal Year 2026/27 Appropriations Limit of \$490,785,658 as required by Article XIII B of the State Constitution.

RECOMMENDATION:

That the City Council adopt a Resolution establishing the Fiscal Year 2026/27 Appropriations Limit of \$490,785,658 as required by Article XIII B of the State Constitution.

LEGISLATIVE HISTORY:

Article XIII B 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 because of the 1979 Proposition 4 (Gann Initiative), Article XIII B 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 19, 2026 the City Council received the calculation for the Fiscal Year 2026/27

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 for the Fiscal Year 2026/27 calculation uses the change in California per capita income and the change in the City’s population as provided by the state Department of Finance.

DISCUSSION:

Based on the current calculation, the City’s Fiscal Year 2026/27 Annual Appropriations Limit is \$490,785,658. Actual proceeds from taxes available for appropriations as estimated in the FY 2026/27 proposed budget, minus qualified exclusions, are \$393,472,312, which is \$97,313,346 or 19.8% less than our limit.

CALCULATED LIMIT	\$ 490,785,658
Estimated Proceeds From Taxes	432,707,188
State Subventions	10,800,000
Total Subject To Annual Appropriations Limit	443,507,188
Debt Service Exclusions	(30,170,571)
Qualified Capital Outlay Exclusions	(19,864,305)
Appropriations Subject To Limit	\$ 393,472,312
Variance \$	\$ 97,313,346
Variance %	19.8%

The City is required to make all documentation used in determining the FY 2026/27 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.

FISCAL IMPACT:

There is no fiscal impact associated with this report.

Prepared by: Angel Guo, Senior Management Analyst
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 Certified as to availability of funds: Julie Nemes, Interim Finance Director
 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