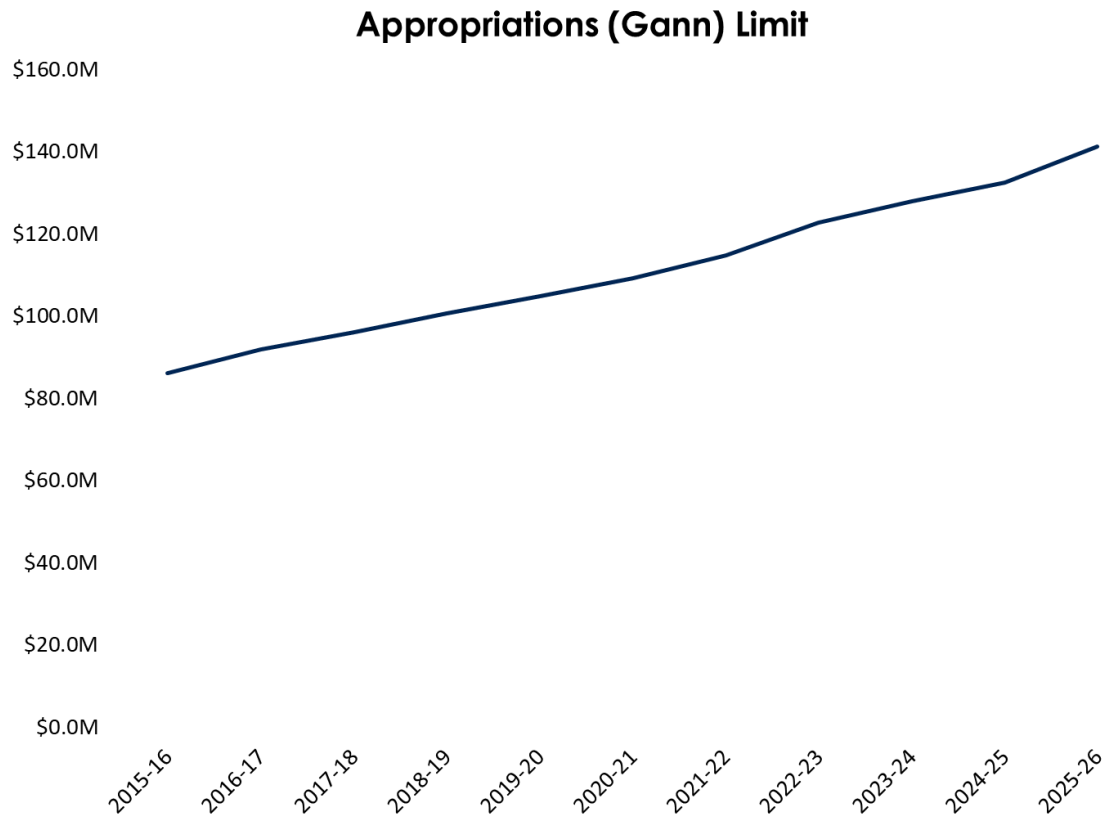


In 1979, California voters approved Proposition 4, the Gann Initiative, and added Article XIII B to the California State Constitution. Article XIII B mandates a limit on the amount of proceeds of taxes that state and local governments can receive and appropriate (authorize to spend) each year. The purpose of this law is to limit government spending by putting a cap on the total proceeds of taxes that may be appropriated each year. Proposition 111 and Senate Bill 88, approved by California voters in June of 1990, offered cities more flexibility in choosing inflation and population factors to calculate the limit. ¹ The following chart and table show the appropriations limit and actual expenditures subject to the appropriations limit.



The limit is different for each agency and changes annually. It is calculated by taking the amount of tax proceeds that were authorized to be spent in FY 1978-79 and adjusting for changes in inflation and population each subsequent year.

Fiscal Year	Appropriations Limit	Change in Appropriations Limit	Percent Change in Appropriations Limit
2015-16	\$ 86,100,308	\$ 4,094,677	5.0%
2016-17	\$ 91,867,014	\$ 5,766,706	6.7%
2017-18	\$ 96,028,488	\$ 4,161,474	4.5%
2018-19	\$ 100,538,305	\$ 4,509,818	4.7%
2019-20	\$ 104,753,580	\$ 4,215,275	4.2%
2020-21	\$ 109,062,934	\$ 4,309,354	4.1%
2021-22	\$ 114,666,491	\$ 5,603,558	5.1%
2022-23	\$ 122,756,522	\$ 8,090,031	7.1%
2023-24	\$ 127,886,394	\$ 5,129,872	4.2%
2024-25	\$ 132,542,385	\$ 4,655,991	3.6%
2025-26	\$ 141,134,546	\$ 8,592,161	6.5%

Proposition 111 changed the way the limit is calculated and allowed a City to increase its limit annually in two ways:

- By the percent change in per capita personal income in California or the percent change in the assessment roll the preceding year due to the addition of local non-residential new construction; or
- By the percent change in county or city population.

The City used the following factors from the California Department of Finance.

Price Factor

- (A) Percent Change in California Per Capita Personal Income: 6.44%

Population Factor

- (B) Percent Change in County Population: 0.04%
- (C) Percent Change in City Population: -0.09%

The City multiplied the FY 2024-25 appropriations limit by Price Factor (A) and Population Factor (B) to calculate the FY 2025-26 appropriations limit, as shown below:

FY 2024-25 Appropriations Limit	\$132,542,385
Price Factor (A)	1.0644
Population Factor (B)	1.0004

ATTACHMENT E

FY 2025-26 Appropriations Limit	\$141,134,546
--	----------------------

The City's FY 2025-26 appropriations limit is \$141.1 million, an increase of \$8.6 million, or 6.5% from the prior year.