



## MEMORANDUM

**TO:** City Council

**FROM:** Nicole Valentine, Administrative Services Director

**BY:** Lynda Horejsi, Accounting Manager

**SUBJECT:** Consideration of Approval of Fiscal Year 2022-23 Appropriation Limit

**DATE:** June 14, 2022

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### **SUMMARY OF ACTION:**

Calculating the appropriation limit from tax proceeds is required annually by Propositions 4 and 111, and Government Code section 7900 et seq. Adoption of a Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2022-23 will ensure compliance with these requirements.

### **IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:**

There are no significant fiscal or personnel impacts associated with approval of the appropriation limit.

### **RECOMMENDATION:**

Adopt a Resolution establishing the appropriation limit from tax proceeds for Fiscal Year 2022-23.

### **BACKGROUND:**

Annually, the City is required to calculate the expenditure appropriation limit from tax proceeds to determine compliance with Propositions 4 (Gann Initiative) and 111 (Spending Limitation Act of 1990), codified at Government Code section 7900 et seq. This calculation is based on the previous year's appropriation limit (\$25,284,708) multiplied by the per capita personal income percentage increase (7.55%) and multiplied again by the population percentage change (-1.31%). The State Department of Finance provides both the population change and the per capita personal income change for the previous fiscal year.

### **ANALYSIS OF ISSUES:**

The City is responsible for dividing citywide revenues between tax and non-tax revenue and applying the formula to the cumulative appropriation limit. For Fiscal Year 2022-23, the appropriation limit has been calculated to be \$26,838,434.

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This calculation means that the City cannot receive more than \$26,838,434 in tax-based revenues in Fiscal Year 2022-23. The estimated tax-based revenues the City would receive for the Fiscal Year have been calculated to be \$18,582,450, approximately \$8.3 million less than the appropriation limit. Therefore, the City is in compliance with Article XIII B of the California Constitution. It is not anticipated that revenues from a new sales tax measure, if approved by the voters, will exceed this appropriation limit.

**ALTERNATIVES:**

The following alternatives are provided for the Council's consideration:

1. Adopt a Resolution establishing the appropriation limit for FY 2022-23; or
2. Revise and adopt a Resolution establishing the appropriation limit for FY 2022-23; or
3. Provide other direction to staff.

**ADVANTAGES:**

Adoption of the Resolution establishing the appropriation limit for FY 2022-23 will ensure that the City is in compliance with Propositions 4 and 111.

**DISADVANTAGES:**

There are no disadvantages identified with the recommended action.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

**PUBLIC NOTIFICATION AND COMMENTS:**

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.

Attachment:

1. Proposed Resolution