



**CITY COUNCIL STAFF REPORT**

**ITEM NO. 6.6**

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**DATE:** June 8, 2026  
**TO:** Honorable Mayor and City Council  
**FROM:** Kristen Hilton, Acting Administrative Services Director  
**SUBJECT:** Resolution reestablishing the Appropriations Limit consistent with State law for FY 2025-26 and establishing the Appropriations Limit FY 2026-27.

**RECOMMENDED ACTION**

Staff recommends the City Council adopt a resolution reestablishing the Appropriations Limit for FY 2025-26 and establishing the Appropriations Limit for FY 2026-27.

**SUMMARY**

Article XIII B of the California Constitution, restricts the amount of government revenues defined as “proceeds of taxes” which may be appropriated in any fiscal year. The Article allows adjustments to the limit for cost of living and population changes. While calculating the FY 2026-27 annual appropriation limit staff realized there was an error in the calculation used for the FY 2025-26 Appropriations Limit. Staff corrected the formula, adjusted the FY 2025-26 Appropriations Limit and completed the calculation for FY 2026-27. The City’s FY 2025-26 adjusted annual appropriation limit is \$504,085,492. The FY 2026-27 annual appropriation limit is \$528,508,686. The City’s appropriations subject to the limit are \$145.9 million which is well below the calculated \$528.5 million. Adoption of the resolution will approve the City’s adjusted FY 2025-26 annual appropriation limit of \$504,085,492 and the FY 2026-27 annual appropriation limit of \$528,508,686.

**DISCUSSION**

Article XIII B of the California State Constitution was approved by California voters in 1979. Also known as the Gann Spending-Limitation Initiative, this article is actually a limitation on tax revenues rather than a direct limitation on appropriations. All proceeds from taxes received in excess of the appropriations limit are required to be returned through refund or revisions in tax rates.

The City of Livermore’s Appropriations Limit is based upon FY 1978-79 appropriations which have been adjusted each year based on changes in population and inflation factors. Effective in FY 1990-91, Proposition 111 and SB 88 (Chapter 60/90) modified the manner in which the Appropriations Limit is calculated by providing alternative adjustment factors intended to make the Appropriations Limit more responsive to local growth issues and requires the annual election of a cost-of-living adjustment factor

and a population factor. The population factors may be either the change in city population or change in county population. The cost-of-living factors may be either the change in California per capita income or the change in City of Livermore non-residential new construction valuation. Typically, an agency selects the factors which provide for the largest growth to the limit.

During the calculation of the FY 2026-27 appropriation limit, staff realized there was an error in the spreadsheet used to calculate the appropriation limit for FY 2025-26. The formula was corrected and staff recalculated the FY 2025-26 appropriation limit to be \$504,085,492. The FY 2025-26 appropriations subject to the limit remained at \$135,417,085, well below the adjusted limit.

Staff calculated the City's FY 2026-27 appropriations limit using inflation and population factors provided by the California State Department of Finance and the City's property tax consultants, HDL. For FY 2026-27, staff chose the County's change in population as it is larger than that change within the City. Staff chose the percentage change in California's per capita income as the cost-of-living factor because it exceeded the City's change in assessed value of new non-residential construction in the preceding year.

Based on the above calculation factors, the Limit of Appropriations for FY 2026-27 is \$528,508,686. Appropriations subject to this limit are \$145,875,160. A summary of the city's appropriation limit, population, and cost-of-living factors over the last twenty years is provided in Exhibit A of the resolution.

## **FISCAL AND ADMINISTRATIVE IMPACTS**

There is no budget impact associated with the recommendation. The adopted expenditure budget for FY 2025-26 was well within the adjusted Appropriation Limit of \$504,085,492 and the FY 2026-27 adopted expenditure budget is well within the Appropriation Limit of \$528,508,686.

## **COMMUNITY PILLAR**

5: A City That Works

### **GOAL**

16: Help preserve public resources and the community's confidence in the City's governance and operation by ensuring the City fulfills its legal obligations and makes well-informed policy decisions

## **ATTACHMENTS**

- [1. Resolution](#)
- [2. Exhibit A - FY 2026-27 Appropriation Limit](#)

Prepared by: Erik Peterson  
Finance Manager

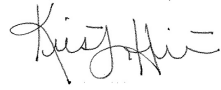
Approved by:



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Marianna A. Burch  
City Manager

Fiscal Review by:



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Kristen Hilton  
Acting Administrative Services Director