



CITY COUNCIL STAFF REPORT

ITEM NO. 5.5

DATE: June 23, 2025

TO: Honorable Mayor and City Council

FROM: Tina Olson, Administrative Services Director

SUBJECT: Resolution establishing the Appropriations Limit consistent with State law for FY 2025-26.

RECOMMENDED ACTION

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

SUMMARY

Article XIIIB 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. The City's FY 2025-26 annual appropriation limit is \$472,441,631. The City's appropriations subject to the limit are \$135.4 million which is well below the calculated \$472.4 million. Adoption of the resolution will approve the City's FY 2025-26 annual appropriation limit of \$472,441,631.

DISCUSSION

Article XIII B of the California State Constitution was approved by California voters effective in 1980. 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.

Staff calculated the City's FY 2025-26 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 2025-26, 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 2025-26 is \$472,441,631. Appropriations subject to this limit are \$135,417,087. 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 FY 2025-26 adopted expenditure budget is well within the Appropriation Limit of \$472,441,631.

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 2025-26 Appropriation Limit

Prepared by: Erik Peterson
Finance Manager

Approved by:



Marianna A. Burch
City Manager

Fiscal Review by:



Tina Olson
Administrative Services Director