



## **CITY COUNCIL REPORT**

**9L-REVISED**

**DATE: SEPTEMBER 19, 2023**

**TO: MAYOR AND COUNCIL MEMBERS**

**FROM: MARKISHA GUILLORY, FINANCE DIRECTOR**

**SUBJECT: ADOPT A RESOLUTION APPROVING THE AMENDED  
APPROPRIATIONS LIMIT FOR FISCAL YEAR (FY) 2022/23 AND  
FY 2023/24**

---

### **RECOMMENDATION**

Adopt a resolution approving the amended Appropriations Limit for Fiscal Year (FY) 2022/23 and FY 2023/24.

### **BACKGROUND**

In November 1979, California voters passed Proposition 4 (the "Gann Limit" Spending Initiative), which added Article XIII B to the California Constitution. The purpose of this law is to establish a limit on expenditure appropriations from tax sources that State and local governments are permitted to make in any given year.

Pursuant to Article XIII B, the City is required to establish an annual Appropriations Limit. The appropriations subject to limitation are based on the 1978-79 appropriations adjusted for changes in the cost of living and population.

California Government Code Section 7910 requires each local government to establish its appropriations limit by resolution for each fiscal year.

On June 20, 2023, the City Council adopted a resolution approving the Appropriations Limit for FY 2023/24. Following adoption, staff discovered a rounding error in the calculation for FY 2022/23 that must be corrected. Since the subsequent year's calculation begins with the prior year's limit as the starting point, the FY 2023/24 must also be corrected. Adoption of the attached resolution (Attachment A) will correct the City of Pinole's Appropriations Limit for FY 2022/23 and FY 2023/24.

### **REVIEW AND ANALYSIS**

The factors used to compute the annual appropriations limit are: (1) either the percentage change in California per capita personal income or the percentage change in the local property tax assessment roll from the preceding year due to

the addition of local nonresidential construction in the City, and (2) either the City's own population growth or the population growth of the entire County. Each year, the State of California Department of Finance provides data on the percentage change in California per capita personal income and the population growth of all cities and counties. Cities can choose which factors, among those listed above, to use to calculate the Gann Limit each year (they do not need to use the same factors year after year).

The City's practice is to use the change in California per capita personal income and the change in Contra Costa County population to compute the City's Appropriations Limit.

The Appropriations Limit applies to most tax revenues including property tax, sales tax, utility users' tax, business license tax, transient occupancy tax, and vehicle in-lieu fee. It does not apply to revenues such as fees that recover operating costs. By law, the City's allocation of certain types of tax revenue is not allowed to exceed this authorized spending limit. Many of the City's revenues are not subject to the Appropriations Limit; therefore, the City's annual appropriations subject to the limit remain far below the limit.

Following City Council adoption of the FY 2023/24 Appropriations Limit, staff discovered a rounding error in the calculation for FY 2022/23 that must now be corrected. Since the subsequent year's calculation begins with the prior year's limit as the starting point, the FY 2023/24 must also be corrected. The original limit for FY 2022/23 was \$157,628,644 and the corrected limit is \$157,649,654, a difference of \$21,010. The original limit for FY 2023/24 was \$164,034,697 and the corrected limit is \$164,056,561, a difference of \$21,864. Below are the calculations for the corrected Appropriations Limit for FY 2022/23 and FY 2023/24.

**The corrected FY 2022/23 Appropriations Limit is:**

Per capita personal income converted to ratio:	$\frac{7.55 + 100}{100} = 1.0755$
Population change converted to a ratio:	$\frac{-0.41 + 100}{100} = 0.9959$
Calculation of factor:	$1.0755 \times 0.9959 = 1.07109045$
City of Pinole FY 2021/22 Appropriations Limit:	\$147,186,126
FY 2022/23 factor:	x <u>1.07109045</u>
<b>FY 2022/23 Appropriations Limit:</b>	<b><u>\$157,649,654</u></b>

City of Pinole FY 2022/23 Appropriations  
Subject to the Limit: \$19,652,556

Total Appropriations Under the Limit: \$137,997,098

**The corrected FY 2023/24 Appropriations Limit is:**

Per capita personal income converted to ratio:  $\frac{4.44 + 100}{100} = 1.0444$

Population change converted to a ratio:  $\frac{-0.36 + 100}{100} = 0.9964$

Calculation of factor:  $1.0444 \times 0.9964 = 1.04064016$

City of Pinole FY 2022/23  
Appropriations Limit: \$157,649,654

FY 2023/24 factor:  $\times 1.04064016$

**FY 2023/24 Appropriations Limit: \$164,056,561**

City of Pinole FY 2023/24 Appropriations  
Subject to the Limit: \$20,702,978

Total Appropriations Under the Limit: \$143,353,583

**FISCAL IMPACT**

There is no fiscal impact created by the City Council's adoption of this resolution to correct the City's Appropriations Limit for FY 2022/23 and FY 2023/24. The amounts subject to the Appropriations Limit are far below the limit for both years, therefore, there is no fiscal impact.

**ATTACHMENTS**

A – Resolution Amending the Appropriations Limit for Fiscal Year (FY) 2022/23 and 2023/24

# ATTACHMENT A-REVISED

## RESOLUTION NO. 2023-XX

### RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PINOLE, COUNTY OF CONTRA COSTA, STATE OF CALIFORNIA, APPROVING THE CITY OF PINOLE'S AMENDED APPROPRIATIONS LIMIT FOR FISCAL YEARS 2022/23 AND 2023/24

**WHEREAS**, Article XIII B of the Constitution of the State of California requires an Appropriations Limit for governmental agencies to be established annually; and

**WHEREAS**, the appropriation subject to limitation for each fiscal year shall be based on the 1978-79 appropriation adjusted for changes in the per capita cost of living and population; and

**WHEREAS**, the implementation of Article XIII B requires the taxing agency to determine the Appropriations Limit according to the State of California; and

**WHEREAS**, the City of Pinole calculated its Fiscal Years 2022/23 and 2023/24 Appropriations Limit based on the percent of change in the population of the Contra Costa County, January 1, 2021 to January 1, 2022, and January 1, 2022 to January 1, 2023, and the change in the State of California's per capita personal income; and

**WHEREAS**, the City Council of the City of Pinole adopted a resolution authorizing the Appropriations Limit for the Fiscal Year 2023/24 on June 20, 2023; and

**WHEREAS**, City staff discovered that the resolution authorizing the Appropriations Limit for the Fiscal Year 2023/24 had an incorrect amount of \$164,034,697 which should have been \$164,056,561; and the Fiscal Year 2022/23 had an incorrect of \$157,628,644 which should have been \$157,649,654; and

**WHEREAS**, the City Council of the City of Pinole now desires to approve the amended Appropriations Limits for the Fiscal Year 2023/24 reflecting the necessary revisions.

**NOW THEREFORE, BE IT RESOLVED** that the Pinole City Council does hereby resolve:

#### For Fiscal Year 2022/23:

1. That the Fiscal Year 2022/23 growth factor has been calculated as follows:  
$$1.0755 \times 0.9959 = 1.07109045$$
2. That said growth factor, 1.07109045, shall be used to adjust the Fiscal Year 2022/23 Appropriations Limit.
3. That the Appropriations Limit for Fiscal Year 2022/23 is hereby established as \$157,649,654.

For Fiscal Year 2023/24:

1. That the growth factor for Fiscal Year 2023/24 has been calculated as follows:  
 $1.0444 \times 0.9964 = 1.04064016$
2. That said growth factor, 1.04064016, shall be used to adjust the Fiscal Year 2023/24 Appropriations Limit.
3. That the Appropriations Limit for Fiscal Year 2023/24 is hereby established as \$164,056,561.

**FURTHER, BE IT RESOLVED** that the City of Pinole tax allocations for Fiscal Year 2022/23 will be approximately \$19,652,556, which is below the authorized spending limit of \$137,997,098; and that the City of Pinole tax allocations for Fiscal Year 2023/24 will be approximately \$20,702,978, which is below the authorized spending limit of \$143,353,583.

**PASSED AND ADOPTED** at a regular meeting of the Pinole City Council held on the 19<sup>th</sup> day of September 2023 by the following vote:

AYES:	COUNCILMEMBERS:
NOES:	COUNCILMEMBERS:
ABSENT:	COUNCILMEMBERS:
ABSTAIN:	COUNCILMEMBERS:

I hereby certify that the foregoing resolution was introduced, passed and adopted on this 19<sup>th</sup> day of **September, 2023**.

---

Heather Bell, CMC  
City Clerk