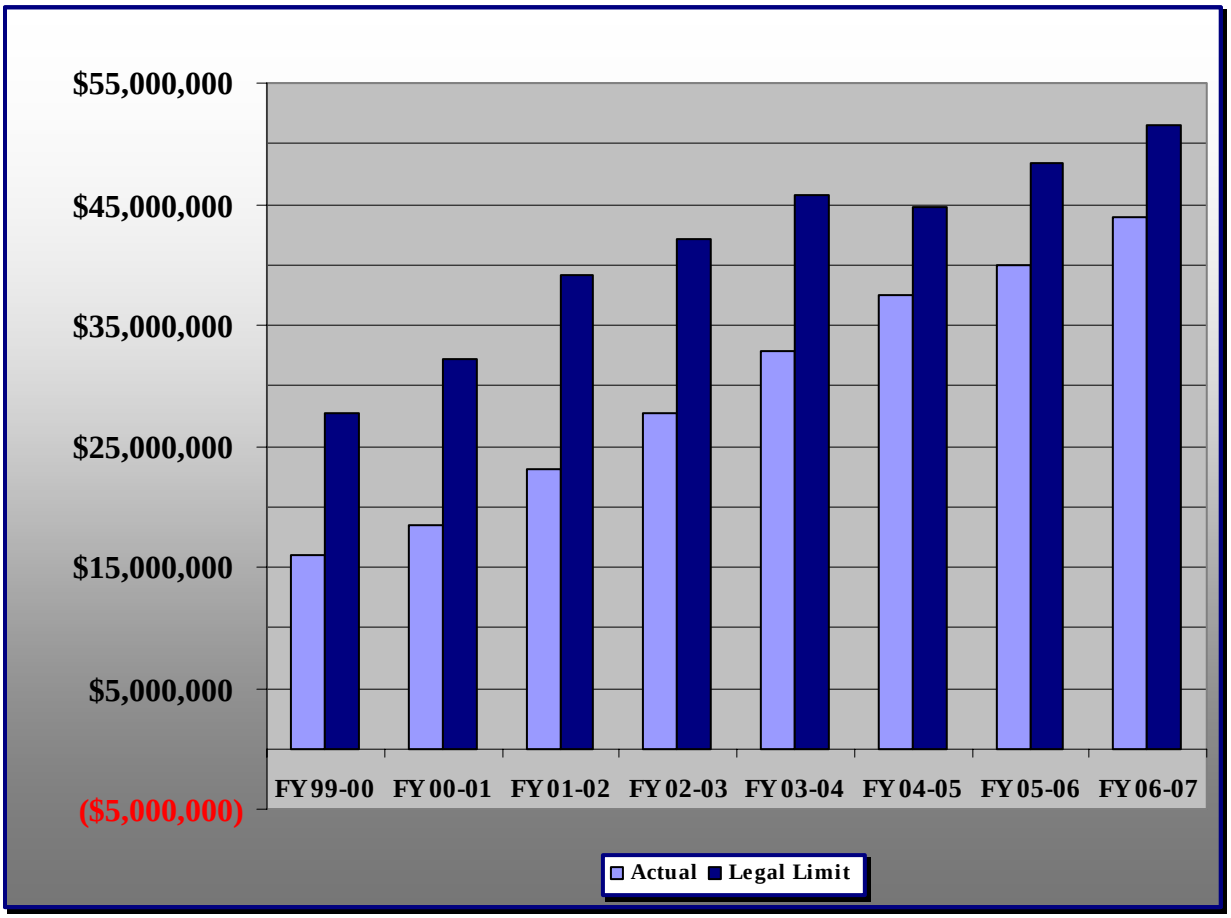
Appropriation Limit

In 1979, California voters approved Proposition 4 (Article XIII-B of the California State Constitution). Informally known as the "Gann Initiative," Article XIII-B provides limits to the amount of tax proceeds state and local governments can spend each year. In 1980, the State Legislature added Section 9710 of the Government Code stating that the governing body of each City must establish, by resolution, an appropriations limit for the following year. The limit for any fiscal year is equal to the previous year's limit, adjusted for population changes and the change in the U.S. Consumer Price Index (or California per capital personal income, if smaller). The necessary statistical information is provided by the California Department of Finance.

In 1990, Proposition 111 modified Article XIII-B. A city may choose which annual adjustments to use. The adjustment factors include the growth in the California Per Capita Income or the growth in the non-residential assessed valuation due to construction within the city, and the population growth within the city or county. The table below illustrates the computation used to derive the preliminary FY 2006-07 appropriation limits.

RESOURCES		**APPROPRIATIONS**	
PROCEEDS OF TAXES:		SUBJECT TO LIMITATIONS:	
Property Taxes	$ 14,541,736		
Sales Taxes	20,756,063		
Special Taxes	2,095,117		
State Subventions	5,567,938		
Franchise Taxes	463,029		
Business Licenses	511,900		
TOTAL PROCEEDS OF TAXES:	$ 43,935,783	$ 43,935,783	
NON-PROCEEDS OF TAXES:		NOT SUBJECT TO LIMITATION:	
		$ 14,825,626	General fund not financed with proceeds of taxes
		28,548,478	Special Revenue Funds
		38,105,525	Capital Project Funds
		41,301,030	Enterprise Funds
		3,203,961	Internal Service Funds
		513,642	Trust Funds
		10,405,978	Miscellaneous General Funds
TOTAL NON-PROCEEDS OF ALL TAXES:	136,904,240	136,904,240	
TOTAL ALL RESOURCES:	$ 180,840,023	$ 180,840,023	

Maximum allowable appropriation subject to limitations 2006-2007 fiscal year	$ 51,586,592
Less: Total appropriation subject to limitation for 2006-7006 fiscal year	(43,935,783)
BALANCE UNDER ARTICLE XIIIB LIMIT:	$ 7,650,809

Comparison of Appropriations Limit from FY 1999-00 to FY 2006-07