



AGENDA REPORT

TO: Jestin D. Johnson
City Administrator

FROM: Erin Roseman
Director of Finance

SUBJECT: Ballot Measure – Appropriations Limit
Increase

DATE: October 12, 2023

City Administrator Approval

Date: Oct 12, 2023

RECOMMENDATION

Staff Recommends That The City Council Adopt A Resolution On The City Council's Own Motion Submitting To The Voters At The March 5, 2024 Special Municipal Election An Ordinance To Increase The Appropriations Limit For Fiscal Years 2024-25 Through 2027-28 To Allow The City To Expend Funds Collected From Twelve Voter-Approved General And Special Tax Ballot Measures For Emergency Medical Services, Paramedic Services, Library Services, Public Safety And Violence Prevention Services, Homeless Services, Children's Services, Parks And Recreation, The Oakland Zoo And Other Lawful Governmental Purposes; And Directing The City Clerk To Take All Actions Necessary Under Law To Submit This Ordinance To The Voters At The March 5, 2024 Special Municipal Election

EXECUTIVE SUMMARY

On March 3, 2020, City of Oakland voters passed Measure S, which increased the City's appropriations limit allowing the City to continue to appropriate and spend tax revenue collected from eight voter-approved local tax measures (hereinafter "Appropriations Limit Override"). On March 3, 2024, the Appropriations Limit Override will sunset. Without another measure increasing the appropriation limit, within two years the City could be restricted from spending voter-approved local tax measure proceeds that exceed the fiscal year appropriations limit.

Adoption of this proposed resolution will submit to the voters at the March 5, 2024 special election a measure to increase the City of Oakland's appropriations limit to allow the City to continue to spend the revenue generated by twelve tax measures previously approved by the Oakland voters. The increase to the annual appropriations limit is estimated to be \$322.9 million beginning fiscal year (FY) 2023-24 and will continue for four years through FY 2027-28.

The approval of this proposed resolution will be the first step to ensuring that the City Council has the authority to continue to appropriate the proceeds of taxes collected from local tax measures previously approved by Oakland voters for critically important municipal services such as emergency medical services, paramedic services, library services, public safety, violence prevention services, homeless services, and other lawful governmental purposes.

BACKGROUND / LEGISLATIVE HISTORY

Article XIIB of the California Constitution was created by the passage of Proposition 4 in November 1979. It establishes a limit on the amount of tax revenues that a local government can appropriate each year. This limit is popularly known as the “Gann Limit”. Each year, the appropriations limit is recalculated by multiplying the previous year’s limit by an adjustment factor for population growth and inflation as published by the California Department of Finance. Article XIIB, Section 4 of the California Constitution also allows the electors of a local government to increase the appropriations limit by a majority vote not to exceed four years from adoption.

California Proposition 111 (June 1990) provided cities the option of using the cities’ growth or the county’s growth in which the city resides as the population adjustment factor. Cities were also provided the option of using the increase in California Per Capita Income or the increase in the assessed valuation of non-residential property in the City as the inflation adjustment factor. The City of Oakland utilizes the latter for the adjustment factors and are applied to the appropriations limit for FY 1987-88 (i.e., the base year) and each year thereafter to arrive at the limit for FY 2023-24.

On March 3, 2020, the City of Oakland voters passed Measure S (the Appropriations Limit Override), which increased the City’s appropriations limit allowing the City to continue to appropriate and spend tax revenue collected from eight voter-approved local tax measures.

In the Budget Act of 2022, the California Legislature adopted changes to [Government Code Section 7903](#) to require city governments to include specified state subventions within the appropriations limits commencing with the fiscal year 2021-2022. The inclusion of the state subventions moved Oakland closer to the appropriations limit of FY 2021-22.

On June 20, 2023, the Oakland City Council adopted [Resolution No. 89788 C.M.S.](#), to amend and establish the appropriations limits for FY 2021-2022 and 2022-2023 to include the state identified subventions pursuant to Article XIIB of the California Constitution and Government Code Section 7903.

On June 26, 2023, the Oakland City Council adopted [Resolution No. 89805 C.M.S.](#), establishing the appropriations limit for FY 2023-2024 pursuant to Article XIIB of the California Constitution. Resolution No. 89805 C.M.S. (**Attachment A**) set the City’s appropriations limit for FY 2023-2024 at \$889.39 million.

On June 26, 2023, the Oakland City Council adopted [Resolution No. 89804 C.M.S.](#), establishing the FY 2023-2025 budget legislation (hereinafter “Adopted Budget”). The Adopted Budget included \$889.39 million of revenue appropriations categorized as proceeds of taxes and are subject to the appropriations limit; which is at the maximum appropriations limit.

ANALYSIS AND POLICY ALTERNATIVES

The 2020 Measure S Appropriations Limit Override has been significant in ensuring that the City continued to appropriate and spend tax revenues to provide the important voter-approved

municipal services such as emergency medical services, paramedic services, library services, public safety and violence prevention services, and homeless services.

However, the Appropriations Limit Override will expire on March 3, 2024, which could restrict the City from appropriating and spending voter-approved local tax measure proceeds that exceed the fiscal year appropriations limit in future years. The FY 2023-2024 appropriations limit override allowed the City to increase the appropriations limit by an additional \$79.28 million collected from the eight voter-approved tax measures. Furthermore, in 2022, California legislation required cities to include state subventions received in the appropriations limit calculations. The state subventions impact the appropriations limit by drawing the City closer to the limit without the appropriations limit override.

[Resolution No. 89805 C.M.S. \(Attachment A\)](#) set the City of Oakland's Fiscal Year (FY) 2023-24 appropriations limit of proceeds of taxes at \$889.39 million. The City Council approved appropriations of \$889.39 million of proceed of taxes in the FY 2023-24 Adopted Budget that are subject to the limit; which is at the maximum appropriations limit.

Without the proposed resolution to request Oakland voters to increase the appropriations limit for another four years, the City is at risk of exceeding the appropriations limit in FY 2024-25 and beyond. Most importantly, if voters do not approve of this limitation, the City will not be allowed to expend an estimated \$322.9 million in voter approved local tax measures resulting in a projected deficit for FY 2024-2025 and beyond.

Voter approval of this measure would increase the annual appropriations limit by approximately \$322.9 million (see **Table 1**) during the four years from FY 2024-25 through FY 2027-28.

Table 1. Estimated Appropriations Limit Increase by Voter-Approved Local Measures

Measure	Title	FY 2024-25 Est. Revenue
Measure M	The Emergency Medical Services Retention Act of 1997 (Fund 2412)	\$2,655,483
Measure N	The Paramedic Services Act of 1997 (Fund 2250)	2,114,817
Measure C	The 2022 Amended Library Services Retention and Enhancement Act (Fund 2241)	21,452,862
Measure C	City of Oakland Hotel Tax of 2009 (Fund 2419, Fund 1010 Account 41515)	29,756,809
Measure Z	The 2014 Oakland Public Safety and Services Violence Prevention Act (Fund 2252)	21,236,462
Measure HH	Sugar-Sweetened Beverage Distribution Tax of 2016 (Fund 1030)	6,896,218
Measure D	The 2018 Oakland Public Library Preservation Act (Fund 2243)	16,197,266
Measure W	The Oakland Vacant Property Tax Act of 2018 (Fund 2270)	5,362,916
Measure Q	The Oakland Parks and Recreation Preservation, Litter Reduction, and Homelessness Support Act of 2020 (Fund 2244)	32,492,864
Measure AA	The Children's Initiative of 2018 (Funds 2261, 2262, 2263)	42,444,082
Measure T	The Business Tax Ordinance of 2022 (Fund 1010, Account 41511)	128,138,817
Measure Y	The 2022 Oakland Zoo Animal Care, Education, and Improvement Ordinance (Fund 2253)	\$14,227,333
	Total Estimated Appropriations Limit Increase	\$322,975,929

FISCAL IMPACT

Adoption of this proposed resolution will submit to the voters at the March 5, 2024 special municipal election a measure to increase the City of Oakland's appropriations limit to allow the City to continue to spend the revenue generated by twelve previously approved measures without exceeding the appropriations limit as set by Article XIII B of the California Constitution.

This measure, if approved by the Oakland voters, would not result in any new or increased taxation. Rather, it ensures that the City Council has the authority to continue to appropriate and spend the proceeds of taxes collected from local tax measures previously approved by Oakland voters for the critically important municipal services such as emergency medical services, paramedic services, library services, public safety and violence prevention services, homelessness services, children's services, parks and recreation services, the Oakland Zoo, and other lawful governmental purposes.

Failure to authorize an increase in the appropriations limit would result in considerable service reductions throughout the City of Oakland. Furthermore, if Oakland voters do not approve an increase to the appropriations limit, the City is at risk of collecting more in taxes than it is legally allowed to appropriate. Any revenues received by a local government that exceed the appropriations limit must be returned to taxpayers by a revision of tax rates or fee schedules within the next two subsequent fiscal years (Article XIII B, Section 2(b)).

If the measure is approved the increase to the annual appropriations limit is estimated to be \$322.9 million beginning fiscal year (FY) 2023-24 and will continue through FY 2027-28. **Table 2** below compares the projected FY 2024-2025 appropriations limit if the measure were to pass and fail.

Estimated Adjustment Factors*

Per Capita Cost of Living Change = 4.44 percent
Alameda County Population Change = -0.47 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.44 + 100}{100} = 1.0444$

Population converted to a ratio: $\frac{-0.47 + 100}{100} = 0.9953$

Estimated Calculation of factor for FY 2024-25: $1.0444 \times 0.9953 = \mathbf{1.0395}$

Appropriations Limit Calculation

<u>Measure Fails</u>				
\$810,109,612	X	1.0395	=	\$842,108,942
FY 2023-24 GANN Appropriations Limit		Combined Change		FY 2024-2025 GANN Estimated Appropriations Limit

* Figures reflect the FY 2023-2024 Alameda County population change and California per capita income change. At the time of this report, the FY 2024-2025 population data change has not been released.

Measure Passes						
\$810,109,612	X	1.0395	=	\$842,108,942	+	\$322,975,929 =
FY 2023-24 GANN Appropriations Limit		Combined Change		FY 2024-2025 GANN Estimated Appropriations Limit		Appropriation Limit Override authorized by proposed measure
						\$1,165,084,871
						FY 2024-2025 Estimated Appropriations Limit

FY 2024-2025 Estimated Appropriations Limit						
	Measure Passes			Measure Fails		
	Total Revenue	Proceeds of Taxes	Non- Proceeds of Taxes	Total Revenue	Proceeds of Taxes	Non- Proceeds of Taxes
Property Tax	\$459.43	\$459.43	\$-	\$459.43	\$459.43	\$-
State Tax	127.71	69.65	58.05	127.71	69.65	58.05
Other Tax	1,027.85	-	1,027.85	1,027.85	-	1,027.85
Measure M	2.65	2.65	-	2.65	2.65	-
Measure N	2.11	2.11	-	2.11	2.11	-
Measure C – Library	21.45	21.45	-	21.45	21.45	-
Measure C – Hotel	29.76	29.76	-	29.76	29.76	-
Measure Z	21.23	21.23	-	21.23	21.23	-
Measure HH	6.89	6.89	-	6.89	6.89	-
Measure D	16. 19	16.19	-	16. 19	16.19	-
Measure W	5.36	5.36	-	5.36	5.36	-
Measure Q	32.49	32.49	-	32.49	32.49	-
Measure AA	42.44	42.44	-	42.44	42.44	-
Measure T	128.13	128.13	-	128.13	128.13	-
Measure Y	14.22	14.22	-	14.22	14.22	-
Interest	2.60	0.48	2.11	2.60	0.48	2.11
Total Revenue	\$2,146.65	\$1,058.64	\$1088.01	\$2,146.65	\$1,058.64	\$1088.01
Exemptions	-	(132.71)	-	-	(132.71)	-
GANN Limit	-	\$842.11	-	-	\$842.11	-
Override	-	\$322.97	-	-	0.00	-
Appropriations Limit	-	\$1,165.08	-	-	\$842.11	-

PUBLIC OUTREACH / INTEREST

This item did not require additional public outreach, other than posting on the City's website.

COORDINATION

his report was prepared by the Finance Department and reviewed by the City Administrator's and City Attorney's office.

SUSTAINABLE OPPORTUNITIES

Economic: The City's Budget represents over \$1 billion in annual expenditures into the local economy. If the City is not able to appropriate the proceeds of taxes authorized by Oakland voters, there will be significant impacts on the local economy and services provided to the residents of Oakland.

Environmental: The impact of the City's appropriations can have a considerable effect on the local environment.

Social Equity: The proceeds of taxes collected through various tax measures previously approved by Oakland voters are a mechanism for improving social equity. These tax measures provide support for various services to Oakland's vulnerable populations including the unsheltered population, victims of violence, and Oakland's youth.

ACTION REQUESTED OF THE CITY COUNCIL

Staff Recommends That The City Council Adopt A Resolution On The City Council's Own Motion Submitting To The Voters At The March 5, 2024 Special Municipal Election An Ordinance To Increase The Appropriations Limit For Fiscal Years 2024-25 Through 2027-28 To Allow The City To Expend Funds Collected From Twelve Voter-Approved General And Special Tax Ballot Measures For Emergency Medical Services, Paramedic Services, Library Services, Public Safety And Violence Prevention Services, Homeless Services, Children's Services, Parks And Recreation, The Oakland Zoo And Other Lawful Governmental Purposes; And Directing The City Clerk To Take All Actions Necessary Under Law To Submit This Ordinance To The Voters At The March 5, 2024 Special Municipal Election

For questions regarding this report, please contact Brittany Hines, Assistant to the Director, at (510) 238-7078.

Respectfully submitted,



Erin Roseman (Oct 12, 2023 17:38 PDT)

ERIN ROSEMAN
Director of Finance
Finance Department

Prepared by:
Brittany Hines
Assistant to the Director

Attachments (1):

- Attachment A: FY 2023-24 Appropriations Limit (Resolution No. 89805 C.M.S.)