CITY OF SEBASTOPOL CITY COUNCIL
AGENDA ITEM REPORT FOR MEETING OF: November 17, 2026

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To: Honorable City Councilmembers
From: Ana Kwong, Administrative Services Director
Department: Administrative Services | City Administration
Subject: Approval of Resolution Correcting the Fiscal Year 2026-27 Appropriations (Gann) Limit. Following the annual review of the City's Gann Limit calculation, a calculation oversight was identified related to the population adjustment factor used in determining the FY 2026-27 Appropriations Limit. The proposed resolution corrects the previously adopted limit from $22,699,194 to $22,617,639

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RECOMMENDATION(s):
Staff recommends that the City Council adopt the attached resolution correcting the Fiscal Year 2026-27 Appropriations (Gann) Limit from $22,699,194 to $22,617,639.

PROCESS OF AGENDA ITEM:
If the item remains on the Consent Calendar, no presentation is required, and the item will be approved as part of the Consent Calendar. If the item is removed from the Consent Calendar, it will be heard as a regular agenda item and will proceed as follows:

- Presentation by staff
- Council questions and discussion
- Public Comment
- Deliberation and action

EXECUTIVE SUMMARY:
The City Council previously adopted the Fiscal Year 2026-27 Appropriations (Gann) Limit at $22,699,194. During the annual agreed-upon procedures review, the City's independent accountant identified that the County population adjustment factor used in the calculation did not agree with the factor published by the California Department of Finance. Applying the correct population factor revises the Fiscal Year 2026-27 Appropriations Limit to $22,617,639, a decrease of $81,555. The proposed resolution corrects the adopted limit while retaining the inflation and population measures previously selected by the City Council.

BACKGROUND:
Article XIII B of the California Constitution establishes an annual appropriations limit for state and local governments. The annual limit is based on the prior-year limit and is adjusted using permitted inflation and population factors.

On June 16, 2026, the City Council adopted Resolution No. 6778-2026 establishing the City of Sebastopol's Fiscal Year 2026-27 Appropriations Limit at $22,699,194. The resolution selected the change in California per capita personal income as the inflation factor and the change in County population as the population factor.

DISCUSSION:
As part of the annual agreed-upon procedures review, the City's independent accountant compared the factors used in the City's worksheet with the factors published by the California Department of Finance. The review found that the inflation factor agreed with the Department of Finance information, but the City's worksheet used a County of Sonoma population factor of 1.0020 instead of the Department of Finance factor of 0.9984, representing a -0.16 percent population change.

Using the Department of Finance factors and the prior-year appropriations limit of $21,585,408, the independent accountant recalculated the Fiscal Year 2026-27 Appropriations Limit at $22,617,639. This is $81,555 lower than the $22,699,194 amount adopted in Resolution No. 6778-2026.

The proposed resolution corrects the Fiscal Year 2026-27 Appropriations Limit to $22,617,639. The correction does not change the factors selected by the City Council; it corrects the population factor used to calculate the adopted limit.

STAFF ANALYSIS:
The appropriations limit establishes the maximum amount of proceeds of taxes that may be appropriated by the City under Article XIII B; it is not an authorization to spend and does not amend the City's adopted budget. Correcting the calculation ensures that the City's official Fiscal Year 2026-27 limit agrees with the applicable California Department of Finance population factor and the independent accountant's recalculation. The corrected limit of $22,617,639 remains the controlling amount for Fiscal Year 2026-27 upon adoption of the proposed resolution. Because the correction is limited to the population factor used in the calculation, no change is proposed to the City Council's prior selection of California per capita personal income as the inflation measure or County population as the population measure. Staff recommends adoption of the resolution so the City's records accurately reflect the corrected Fiscal Year 2026-27 Appropriations Limit.

CITY COUNCIL GOALS/PRIORITIES/AND/OR GENERAL PLAN CONSISTENCY:
Goal 5: Long-Term Financial Sustainability. This item supports Strategy 5.3, Pension, Reserves & Financial Policies, by ensuring that the City's Fiscal Year 2026-27 Appropriations Limit is accurately calculated and maintained in accordance with Article XIII B of the California Constitution.

PUBLIC COMMENT:
As of the preparation of this staff report, no public comments have been received on this item. Any comments received after distribution of the report will be provided to the City Council as supplemental materials. Public comment will also be accepted during the meeting.

COMMUNITY OUTREACH:
This item has been noticed in accordance with the Ralph M. Brown Act and was available for public viewing and review at least 72 hours prior to the scheduled meeting date.

FISCAL IMPACT:
There is no direct fiscal impact associated with adopting the corrective resolution. The action corrects the City's established Fiscal Year 2026-27 Appropriations Limit for purposes of Article XIII B compliance.

RESTATED RECOMMENDATION:
Staff recommends that the City Council adopt the attached resolution correcting the Fiscal Year 2026-27 Appropriations (Gann) Limit from $22,699,194 to $22,617,639.

ATTACHMENT(S):
1. Resolution Correcting the Fiscal Year 2026-27 Appropriations Limit
2. Resolution No. 6778-2026
3. Independent Accountant's Report on Agreed-Upon Procedures / Appropriations Limit Schedule

APPROVALS:
Department Head Approval: Approval Date: 10/28/26
CEQA Determination (Planning): Approval Date: N/A
The proposed action is not a project under the California Environmental Quality Act (CEQA).
General Plan Goal (Planning): Approval Date: N/A
Administrative Services (Financial): Approval Date: 10/28/26
Costs authorized in City Approved Budget: Yes No N/A
Account Code (if applicable): _____
City Attorney Approval: Approval Date: 11/9/26
City Manager Approval: Approval Date: 11/9/26

RESOLUTION NO. _____-2026

RESOLUTION OF THE CITY COUNCIL OF THE CITY OF SEBASTOPOL CORRECTING THE APPROPRIATIONS LIMIT FOR THE CITY OF SEBASTOPOL FOR FISCAL YEAR 2026-27 PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

WHEREAS, Article XIII B of the California Constitution establishes an annual appropriations limit for state and local governments; and

WHEREAS, the City Council annually establishes the City of Sebastopol's appropriations limit in accordance with Article XIII B; and

WHEREAS, on June 16, 2026, the City Council adopted Resolution No. 6778-2026 establishing the Fiscal Year 2026-27 Appropriations Limit at $22,699,194; and

WHEREAS, Resolution No. 6778-2026 elected the change in California per capita personal income for the inflation factor and the change in County population for the population factor; and

WHEREAS, during the annual agreed-upon procedures review, the City's independent accountant determined that the City's worksheet applied a County of Sonoma population factor of 1.0020, while the California Department of Finance reported a County population change of -0.16 percent, equivalent to a factor of 0.9984; and

WHEREAS, using the Department of Finance factors and the prior-year appropriations limit, the Fiscal Year 2026-27 Appropriations Limit was recalculated at $22,617,639, which is $81,555 lower than the amount previously adopted; and

WHEREAS, the City Council desires to correct the Fiscal Year 2026-27 Appropriations Limit to reflect the correct County population factor and resulting calculation.

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Sebastopol as follows:

1. The City Council confirms its previously selected factors for Fiscal Year 2026-27: (a) the change in California per capita personal income for the inflation factor, and (b) the change in County population for the population factor.
2. The Fiscal Year 2026-27 appropriations limit is hereby corrected from $22,699,194 to $22,617,639.
3. To the extent Resolution No. 6778-2026 states that the Fiscal Year 2026-27 appropriations limit is $22,699,194, that amount is superseded by the corrected amount of $22,617,639 established by this resolution.
4. Except as expressly corrected by this resolution, Resolution No. 6778-2026 remains unchanged.

IN COUNCIL DULY PASSED this ____ day of _____, 2026.

AYES:

NOES:

ABSENT:
ABSTAIN:

APPROVED:

_____
Mayor Jill McLewis

ATTEST:

_____

Mary Gourley, City Manager

APPROVED AS TO FORM:

_____

Alex Mog, City Attorney

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RESOLUTION NO 6778-2026

RESOLUTION OF THE COUNCIL OF THE CITY OF SEBASTOPOL ESTABLISHING THE APPROPRIATIONS LIMIT FOR THE CITY OF SEBASTOPOL FOR THE 2026-27 FISCAL YEAR PURSUANT TO ARTICLE XIII B OF THE CALIFORNIA CONSTITUTION

WHEREAS, Article XIII B of the California Constitution (Proposition 4) provides for an annual appropriations limit for state and local governments beginning with the 1980-81 fiscal year, based on the 1978-79 appropriations, as adjusted for the changes in the cost of living or per capita personal income, population, and other specified factors; and

WHEREAS, implementing legislation, which became effective January 1, 1981, provides that each year the governing body of each local jurisdiction shall, by resolution, establish its appropriations limit for the year pursuant to Article III B at a regularly scheduled meeting or noticed special meeting; and

WHEREAS, local jurisdictions may select either the percentage change in California per capita personal income as reported by the California Department of Finance or the percentage change in the local assessment roll due to the addition of local nonresidential new construction.

NOW, THEREFORE, BE IT RESOLVED, that the City Council of the City of Sebastopol:

1. For fiscal year 2026-27, the City of Sebastopol hereby (a) elects the change in the California Per Capita Personal Income for calculating the inflation factor, and (b) elects the change in the County's population for calculating the population factor, necessary to determine the City's appropriation limit.

2. For the fiscal year 2026-27, the total annual appropriations subject to limitation as specified by Article XIIIB of the Constitution of the State of California for the City of Sebastopol Budget shall be: $22,699,194.

IN COUNCIL DULY PASSED this 16th day of June, 2026.

Ayes: Councilmembers Carter, Hinton, and Vice Mayor Maurer
Noes: Councilmember Zollman and Mayor McLewis
Absent: None
Abstain: None

APPROVED: Signed by: Jill McLewis 7C6BCED0A8914A1... Mayor Jill McLewis

ATTEST: Signed by: Mary Gourley 44C0774260FE430... Mary Gourley, City Manager

Approved as to Form: Signed by: Alex Mog 66BDB79D572A4EB... Alex Mog, City Attorney

CITY OF SEBASTOPOL, CALIFORNIA

APPROPRIATIONS LIMIT SCHEDULE AND INDEPENDENT ACCOUNTANT'S REPORT

For the Fiscal Year Ending June 30, 2026

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Chavan & Associates, LLP
Certified Public Accountants
16450 Monterey Rd, Suite 5
Morgan Hill, CA 95037

CITY OF SEBASTOPOL, CALIFORNIA

APPROPRIATIONS LIMIT SCHEDULE AND INDEPENDENT ACCOUNTANT'S REPORT

FOR THE FISCAL YEAR ENDING JUNE 30, 2026

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Chavan and Associates, llp
Certified Public Accountants

INDEPENDENT ACCOUNTANTS' REPORT ON AGREED-UPON PROCEDURES APPLIED TO APPROPRIATIONS LIMIT UNDER ARTICLE XIIIB OF THE CALIFORNIA CONSTITUTION

To the Honorable Mayor and Members of the
City Council of the City of Sebastopol
Sebastopol City, California

We have performed the procedures enumerated below to the accompanying Appropriations Limit Schedule of the City of Sebastopol (City) for the fiscal year ending June 30, 2026. The City's management is responsible for the accompanying Appropriations Limit Schedule.

The City has agreed to and acknowledged that the procedures performed are appropriate to meet the intended purpose of assisting the City in evaluating the appropriations limit calculation in accordance with the requirements of Section 1.5 of Article XIIB of the California Constitution. The procedures are recommended by the California Committee on Municipal Accounting (as presented in the CCMA White Paper titled Agreed-upon Procedures Applied to the Appropriations Limitation Prescribed by Article XIII-B of the California Constitution). This report may not be suitable for any other purpose. The procedures performed may not address all the items of interest to a user of this report and may not meet the needs of all users of this report and, as such, users are responsible for determining whether the procedures performed are appropriate for their purposes.

The procedures performed and our findings were as follows:

1. We obtained completed worksheets used by the City to calculate its appropriation limit for the fiscal year ending June 30, 2026, and determined that the limit and annual adjustment factors were adopted by resolution of the City Council. We also determined that the population and inflation options were selected by a recorded vote of the City Council.

   Findings: No exceptions were noted as a result of our procedures.

2. For the accompanying Appropriations Limit Schedule, we added the prior year's limit to the total adjustments and agreed the resulting amount to the current year's limit.

   Findings: No exceptions were noted as a result of our procedures.

3. We agreed the current year information presented in the accompanying Appropriation Limit Schedule to corresponding information in worksheets used by the City.

   Findings: No exceptions were noted as a result of our procedures.

4. We agreed the prior year appropriations limit in the accompanying Appropriation Limit Schedule to the corresponding information in worksheets used by the City.

   Findings: No exceptions were noted as a result of our procedures.

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Chavan and Associates, llp
Certified Public Accountants

We were engaged by the City to perform this agreed-upon procedures engagement and conducted our engagement in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on the appropriations limit calculation for the fiscal year ending June 30, 2026. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you. No procedures have been performed with respect to the determination of the appropriations limit for the base year, as defined by Article XIII-B of the California Constitution.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our agreed-upon procedures engagement.

This report is intended solely for the use of the City Council and management of the City and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.

C & A LLP

September 27th, 2025
Morgan Hill, California

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CITY OF SEBASTOPOL, CALIFORNIA

APPROPRIATIONS LIMIT SCHEDULE
FOR THE FISCAL YEAR ENDING JUNE 30, 2026

	Amount		Source
A. Appropriations limit for the fiscal year ended June 30, 2025	$ 20,198,619		Prior Year Schedule
B. Calculation Factors:			
1. Population increase %	1.0040	[1)]	State Department of Finance
2. Inflation increase %	1.0644		State Department of Finance
3. Total adjustment factor %	1.0687		B1 x B2
C. Annual Adjustment Increase	1,386,789		[(B3-1)A)]
D. Other Adjustments:			
Loss responsibility (-)	-		N/A
Transfers to private (-)	-		N/A
Transfers to fees (-)	-		N/A
Assumed responsibility (+)	-		N/A
E. Total Adjustments	1,386,789		(C+D)
F. Appropriations limit for the fiscal year ending June 30, 2026	$ 21,585,408		(A+E)

[1)] Population increase % for:

City of Sebastopol	1.0040
County of Sonoma	1.0015

CITY OF SEBASTOPOL, CALIFORNIA

NOTES TO THE APPROPRIATIONS LIMIT SCHEDULE FOR THE FISCAL YEAR ENDING JUNE 30, 2026

1. PURPOSE OF LIMITED PROCEDURES REVIEW

Under Article XIII B of the California Constitution (the Gann Spending Limitations Initiative), California governmental agencies are restricted as to the amount of annual appropriations from proceeds of taxes. Effective for years beginning on or after July 1, 1990, under Section 1.5 of Article XIIB, the annual calculation of the appropriation limit is subject to a limited procedures review in connection with the annual audit.

2. METHOD OF CALCULATION

Under Section 10.5 of Article XIII B, for fiscal years beginning on or after July, 1990, the appropriations limit is required to be calculated based on the limit for the fiscal year 1986-87, adjusted for the inflation and population factors discussed in Notes 3 and 4 below.

3. INFLATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change in the 4th quarter per capita personal income (which percentage is supplied by the State Department of Finance) or the percentage change in the local assessment roll from the preceding year due to the change of local nonresidential construction. The factor adopted by the City for the fiscal year 2025-26 represents the annual percentage change in the per capita personal income.

4. POPULATION FACTORS

A California governmental agency may adjust its appropriations limit by either the annual percentage change of the jurisdiction's own population or the annual percentage change in population of the county where the jurisdiction is located. The factor adopted by the City for the year 2025-26 represents the annual percentage change in population for the County.

5. OTHER ADJUSTMENTS

A California government agency may be required to adjust its appropriations limit when certain events occur, such as the transfer of responsibility for municipal services to, or from, another government agency or private entity. The City had no such adjustment for the fiscal year ending June 30, 2026.