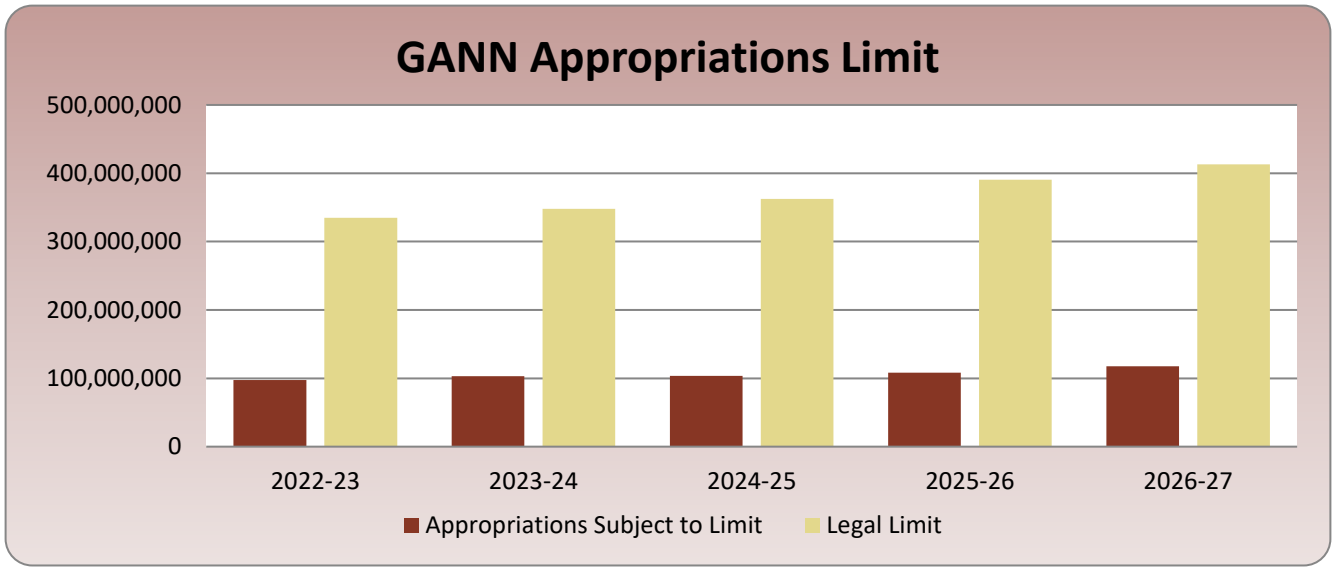
GANN APPROPRIATIONS LIMIT

Article XIIIB of the California State Constitution, more commonly referred to as the Gann Initiative or Gann Limit, was approved by California voters in November 1979, and placed limits on the amount of proceeds of taxes that state and local government agencies can receive and spend each year. For cities that incorporated after 1978-79 (such as the City of Temecula), the voters set the initial appropriations limit at the time of incorporation. Proposition 111 was approved by California voters in June 1990, which provided new adjustment formulas which make the appropriations limit more responsive to local growth issues. Each year the City Council must adopt by resolution the appropriations limit for the following year. Following is the calculation of the City's Gann Appropriations Limit for Fiscal Year 2025-26:

Fiscal Year 2025-26 Appropriations Limits	$390,425,308
City Population Growth	0.85%
Per Capita Personal Income Change	4.95%
Fiscal Year 2026-27 Appropriations Limit	$413,234,247

Appropriations subject to the limit in the Fiscal Year 2026-27 Budget total $117,543,685 which is $295,690,562 less than the computed limit. Additional appropriations to the budget funded by non-tax sources such as service charges, restricted revenues from other agencies, grants or beginning fund balances would be unaffected by the appropriations limit. However, any supplemental appropriations funded through increased tax sources would be subject to the appropriations limit and could not exceed the $295,690,562 variance indicated. Further, any overall actual receipts from tax sources greater than $295,690,562 from budget estimates will result in proceeds from taxes in excess of the City's appropriations limit, requiring refunds of the excess within the next two fiscal years or voter approval of an increase in the City's appropriations limit. Voter approval for an increase in the City's appropriations limit is not anticipated in the future due to the margin between the limit and tax revenue.