

File No. 180235

Committee Item No. 5

Board Item No. 18

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date May 10, 2018

Board of Supervisors Meeting

Date May 22, 2018

Cmte Board

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| <input checked="" type="checkbox"/> | <input checked="" type="checkbox"/> | Resolution |
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| <input type="checkbox"/> | <input type="checkbox"/> | Youth Commission Report |
| <input type="checkbox"/> | <input type="checkbox"/> | Introduction Form |
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| <input type="checkbox"/> | <input type="checkbox"/> | MOU |
| <input type="checkbox"/> | <input type="checkbox"/> | Grant Information Form |
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Completed by: Linda Wong Date May 4, 2018

Completed by: Linda Wong Date May 15, 2018

1 [California Constitution Appropriations Limit - FY2017-2018 - \$3,489,975,077]

2
3 **Resolution establishing the appropriations limit of \$3,489,975,077 for FY2017-2018,**
4 **pursuant to California Constitution, Article XIII B.**

5
6 WHEREAS, Article XIII B of the California Constitution provides that the annual
7 appropriations of the City and County of San Francisco which are subject to said Article may
8 not exceed the Appropriations Limit for the prior year, with adjustments as provided in said
9 Article XIII B; and

10 WHEREAS, The California Government Code, Section 7901, defines the terms, and
11 Section 7902(b) sets forth the equations to be used to determine the City and County of San
12 Francisco's annual Appropriations Limit, according to the following formula:

13 (b) "...the appropriations limit of the state and each local jurisdiction shall equal the
14 appropriations limit for the prior fiscal year multiplied by the product of the change in
15 cost of living, as defined in paragraph (2) of subdivision (e) of Section 8 of Article XIII B
16 of the California Constitution, and the change in population of the local jurisdiction for
17 the calendar year preceding the beginning of the fiscal year for which the
18 appropriations limit is to be determined, and adjusted for other changes required or
19 permitted by Article XIII B of the California Constitution;" and

20 WHEREAS, Article XIII B, Section 8(e)(2) of the California Constitution authorizes the
21 calculation of the cost of living, either the use of the percentage change in California per-
22 capita personal income from the preceding year, or the use of the percentage change in the
23 local assessment roll from the preceding year for the jurisdiction due to the addition of local
24 non-residential new construction; and

1 WHEREAS, The change in California per-capita personal income in FY2016-2017 was
2 3.69%, while the percentage change in the local assessment roll from 2016 due to the
3 addition of local non-residential new construction was 0.89%; and

4 WHEREAS, The percentage change in population during calendar year 2016 for the
5 City and County of San Francisco according to the California Department of Finance was
6 1.08%; and

7 WHEREAS, Article XIII B, Section 4 of the California Constitution authorizes voters to
8 approve an increase in the Appropriations Limit for up to four years; and

9 WHEREAS, Voters approved two measures, the Soda and Sugary Sweetened
10 Beverages Tax (Proposition V-November 2016) and the increase in the Real Estate Transfer
11 Tax (Proposition W-November 2016), that increased the Appropriations Limit by the
12 aggregate sum collected by the levy of these taxes; and

13 WHEREAS, The aggregate sum collected by the levy of these taxes through FY2017-
14 2018 is projected to be \$67,588,340; and

15 WHEREAS, Article XIII B, Sections 8(h) and 10.5 of the California Constitution
16 establish that the Base Appropriations Limit for a local government is equal to the
17 appropriations subject to limitation in FY1986-1987; and

18 WHEREAS, The City and County of San Francisco improperly excluded health and
19 dental fringe benefits in its calculation of the Base Appropriations Limit; and

20 WHEREAS, The Appropriations Limit for FY2016-2017 would have been
21 \$3,265,329,234 with the correct Base Appropriations Limit; and

22 WHEREAS, The resulting calculation establishing the City and County of San
23 Francisco's FY2017-2018 Appropriations Limit is:

24 $\$3,265,329,234 \times 1.0369 \times 1.0108 + \$67,588,340 = \$3,489,975,077$; and
25

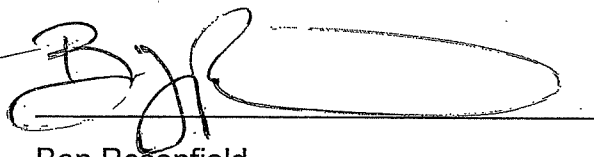
1 WHEREAS, This matter has been considered at a regularly scheduled meeting of the
2 Board of Supervisors for the City and County of San Francisco; and

3 WHEREAS, The documentation used to determine the Appropriations Limit for the City
4 and County of San Francisco for FY2017-2018 was available for public inspection in the
5 Office of the Clerk of the Board of Supervisors for at least 15 days prior to said regularly
6 scheduled meeting; now, therefore, be it

7 RESOLVED, That the City and County of San Francisco elects to use the percentage
8 change in California per capita personal income and elects to use the percent change in
9 population within its jurisdiction from the previous year for the purpose of computation of its
10 Appropriations Limit pursuant to Article XIII B of the California Constitution for FY2017-2018;
11 and, be it

12 FURTHER RESOLVED, That the net appropriations limit for FY 2017-2018 is
13 established at \$3,489,975,077.

14
15
16
17
18 Recommended:



19 Ben Rosenfield

20 Controller

Item 5
File 18-0235

Department: Controller's Office (Controller)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would establish the City's FY 2017-18 appropriations limit at \$3,489,975,077, as calculated by the Controller.

Key Points

- The California Constitution places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living. There are two definitions that local governments may use to calculate the cost of living adjustment.
- In FY 2003-04, the City, in conjunction with an audit, stopped excluding health and dental benefits from the appropriations limit for current and future appropriations calculations. At that time, the base year appropriation limit was not recalculated to reflect the treatment of health and dental benefits. The Controller has now recalculated the base year appropriation limit (FY 1986-87) to include health and dental benefits. The Controller found that the adjustment was equal to \$67,588,340.

Fiscal Impact

- The appropriations limit does not apply to tax proceeds appropriated for: (a) debt service; (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates. Consequently, the Controller excluded \$578,498,670 from the City's total FY 2017-18 tax proceeds of \$4,059,193,444, resulting in net tax proceeds subject to the appropriations limit of \$3,480,694,774.
- The City's FY 2017-18 appropriation limit, as calculated by the Controller, is \$3,489,975,077. The FY 2017-18 net tax proceeds of \$3,480,694,774 are \$9,280,304 less than the FY 2017-18 appropriation limit of \$3,489,975,077.

Policy Consideration

- For the FY 2017-18 appropriations limit, the Controller elected to use the percentage change in per-capita personal income from the preceding year to calculate the cost of living adjustment. Had the Controller elected to use the percentage change in the local assessment roll from the preceding year, the appropriations limit would have been calculated at \$3,397,558,423.

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Constitution Article XIII B states that each local government must set an annual appropriations limit as calculated using the preceding year's appropriations limit adjusted for (1) the change in population, and (2) the change in the cost of living.

BACKGROUND

On November 6, 1979, California voters approved Proposition 4, known as the Gann Initiative, which added Article XIII B to the California Constitution. Article XIII B (later amended by State Proposition 111, as approved by the voters in June of 1990) places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living.

Per Article XIII B Section 9 and California Government Code Section 7901, the appropriations limit does not apply to any tax proceeds appropriated for (a) debt service, (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates.

California Government Code Section 7901(b) defines the change in population as the population growth for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined. According to the California Department of Finance, in calendar year 2016, San Francisco's population growth was 1.08 percent.

California Constitution Article XIII B Section 8(e)2 allows the local government to use one of the two following definitions to calculate the cost of living adjustment:

Definition 1: The percentage change in California per-capita personal income from the preceding year, estimated to be 3.69 percent in FY 2016-17, or

Definition 2: The percentage change for the local jurisdiction in the assessment roll from the preceding year due to non-residential new construction, estimated to be 0.89 percent in FY 2016-17.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would establish the City's FY 2017-18 appropriations limit at \$3,489,975,077, as calculated by the Controller. The appropriations limit for FY 2017-18 is based on the amount of the FY 2016-17 appropriations limit and adjusted to reflect increases in (1) the population and (2) cost of living (calculated using the increase in per-capita personal income).

FISCAL IMPACT

Readjustment of Appropriations Limit for FY 2016-17

In FY 2003-04, the City, in conjunction with an audit, stopped excluding health and dental benefits from the appropriations limit for current and future appropriations calculations. However, at that time, the base year appropriation limit was not recalculated to reflect the treatment of health and dental benefits. The Controller has now recalculated the base year appropriation limit (FY 1986-87¹) to include health and dental benefits. According to the Controller’s office, a recalculation has precedent in a 1992 court case that found that the City had to include retirement in appropriation limit calculations. The new FY 2016-17 appropriations limit used for calculations is \$3,265,329,234, which is \$79,861,019 more than the legally binding limit of \$3,185,468,215 approved by the Board of Supervisors in April 2017.

Fiscal Impact

As mentioned above, the appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates. Consequently, the Controller excluded \$578,498,670 from the City’s total FY 2017-18 tax proceeds of \$4,059,193,444, as shown in Table 1 below, resulting in net tax proceeds subject to the appropriations limit of \$3,480,694,774.

Table 1: Estimated Tax Proceeds Subject to the Proposed Appropriations Limit

FY 2017-18 Estimated Total Tax Proceeds*	\$4,059,193,444
Exclusions	
(a) Debt Service	(303,185,312)
(b) Federal Mandate for Social Security/Medicare	(84,954,939)
(c) Qualified Capital Outlays	(152,995,820)
(d) Other Federal Mandates	(37,362,599)
Subtotal Exclusions	(578,498,670)
FY 2017-18 Net Tax Proceeds Subject to Appropriations Limit	\$3,480,694,774

*Includes property taxes, business taxes, other local taxes, rents & concessions, interest, and state grants.

Section 4 of Article XIII B provides that the appropriations limit imposed may be changed by the voters for up to four years. In November 2016, the voters approved two measures, the Soda and Sugary Sweetened Beverages Tax (Proposition V) and the Real Estate Transfer Tax (Proposition W) that increased the appropriations limit by the aggregate sum collected from these taxes. The controller found that the adjustment was equal to \$67,588,340. The temporary increase in the appropriations limit will be in effect through FY 2019-20, after which the limit will return to what it would have been absent the temporary increase.

¹ In June 1990, the voters amended Article XIII B beginning for fiscal years on or after July 1, 1990, to state that the appropriations limit of each entity of government shall be the appropriations limit for the FY 1986–87.

As shown on Table 2 below, the City’s FY 2017-18 appropriation limit, as calculated by the Controller, is \$3,489,975,077. The FY 2017-18 net tax proceeds of \$3,480,694,774 are \$9,280,304 less than the FY 2017-18 appropriation limit of \$3,489,975,077.

Table 2: Proposed FY 2017-18 Appropriations Limit

FY 2016-17 Appropriations Limit^a	\$3,265,329,234
Adjustment Factors^b	
Increase in Population	1.08%
Increase in Per-Capita Personal Income	<u>3.69%</u>
Subtotal	\$3,422,386,737
Voter approved limit changes	67,588,340
FY 2017-18 Appropriations Limit^a	\$3,489,975,077

Source: Controller’s Office

^a This is the readjusted appropriations limit based on a recalculation of the base year FY 1986-87 to include health and dental benefits.

^b The annual appropriations limit is a formula set by the California Constitution. The Controller calculated the FY 2017-18 appropriations limit based on the increase in the City’s population and the increase in per-capita personal income as follows: \$3,265,329,234 x 1.0108 x 1.0369 equals \$3,422,386,737. This added to the voter approved limit changes of \$67,588,340 equals \$3,489,975,077.

POLICY CONSIDERATION

As noted above, the Controller has discretion to calculate the cost of living adjustment factor using one of two following definitions:

Definition 1: The percentage change in California per-capita personal income from the preceding year, estimated to be 3.96 percent in FY 2016-17, or

Definition 2: The percentage change for the local jurisdiction in the assessment roll from the preceding year due to local non-residential new construction, estimated to be 0.89 percent in FY 2016-17.

Table 3 below shows the FY 2017-18 appropriations limit using both definitions.

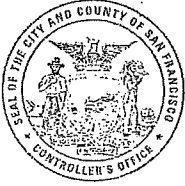
Table 3: The FY 2016-17 Appropriations Limit by Definition

	<u>Definition 1</u>	<u>Definition 2</u>
	Per-Capita Personal Income	Local Assessment Roll from Non- Residential New Construction
FY 2016-17 Appropriations Limit	\$3,265,329,234	\$3,265,329,234
Adjustment Factors		
Increase in Population	1.08%	1.08%
Increase in Per-Capita Personal Income	3.69%	-
Increase in Local Assessment Roll	-	0.89%
Subtotal	\$3,422,386,737	\$3,329,970,083
Voter Approved	67,588,340	67,588,340
FY 2016-17 Appropriations Limit	\$3,489,975,077	\$3,397,558,423

For the FY 2017-18 appropriations limit, the Controller elected to use the percentage change in per-capita personal income from the preceding year to calculate the cost of living adjustment, consequently calculating the appropriations limit at \$3,489,975,077, as shown in Table 3 above. Had the Controller elected to use the percentage change in the local assessment roll from the preceding year, the appropriations limit, as shown in Table 3 above, would have been calculated at \$3,397,558,423, which is (a) \$92,416,654 less than the proposed appropriations limit of \$3,489,975,077 and (b) \$83,136,351 more than the Controller's estimate of net tax proceeds subject to the appropriations limit of \$3,480,694,774, as shown in Table 1 above.

RECOMMENDATION

Approve the proposed resolution.



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

March 6, 2018

Mayor Mark E. Farrell
City and County of San Francisco
City Hall, Room 200
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

Board of Supervisors
City and County of San Francisco
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102

RE: Appropriations Limit for Fiscal Year 2017-18

Dear Mayor Farrell and Board Members:

In accordance with Article XIII B of the State Constitution, attached is the resolution establishing the City and County's annual appropriation limit for fiscal year 2017-18. We estimate City and County appropriations are approximately \$10 million below the state-mandated appropriation limit.

Background

Article XIII B of the State Constitution provides that annual appropriations of the City and County of San Francisco that are funded from "Proceeds of Taxes" may not exceed the City and County's appropriation limit. This limit is equal to the prior year's limit adjusted for changes in population and cost of living.

Our computation of proceeds of taxes is in accordance with California Government Code Section 7900, and conforms to the "Proposition 4, Article XIII B, California Constitution, Procedural Guidelines" prepared by the County Accounting Standards and Procedures Committee of the State Controller's Office (See Exhibit A).

Annual Appropriations Limit Adjustments

Each year the City and County of San Francisco adjusts its appropriation limit based upon two factors: population growth and the cost of living as determined by California Government Code. Population growth is determined by using the change in San Francisco City and County population. According to the California Department of Finance, between January 1, 2016 and January 1, 2017,

San Francisco City and County population growth was 1.06%. This growth factor is being used in the calculation. Cost of living is determined by using either the change in California per capita personal income or the increase in the local assessment roll due to the addition of non-residential new construction. The change in per capita income for fiscal year 2016-17 is 3.69%, while the local assessment growth in 2016 due to non-residential new construction is 0.89%. The fiscal year 2016-17 increase in California per capita personal income is used in the calculation (See Exhibit B).

Adjustments to Proceeds of Taxes

There are certain appropriations that are excluded from proceeds of taxes, as allowed by Article XIII B. The following exclusions are factored into our calculation of Net Proceeds of Taxes:

- (1) \$303.2 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$85.0 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$153.0 million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e))
- (4) \$37.4 million is excluded as other federal mandates (Article XIII B, Section 9(b)).

Adjustments to the Appropriation Limit

Article XIII B allows voters to approve an increase to the appropriations limit for up to four years. In November 2016, voters approved two measures, the Soda and Sugary Sweetened Beverages Tax and the increase in the Real Estate Transfer Tax, that increased the appropriations limit by the aggregate sum collected by the levy of these taxes. This adjustment raises the 2017-18 appropriations limit by \$67.6 million.

Article XIII B specifies that the current appropriations limit is equal to the appropriations subject to limitation in a base fiscal year (1986-87), increased annually by the population and cost of living factors. In its calculation of appropriations subject to limitation in the base year, the City excluded health benefits, but these benefits should have been included as appropriations subject to limitation. When the base year is corrected and then inflated by the population and cost of living factors, the 2017-18 appropriations limit is \$85.4 million higher than it would have been absent the correction.

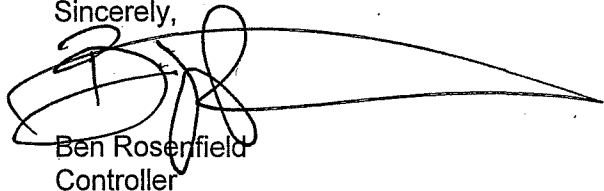
City and County Appropriations are under the Limit

Our appropriation limit for FY 2017-18 is \$3,489,975,077. We estimate that our appropriations subject to limitation will be \$3,480,694,774. Thus, the Controller projects that the City and County will be \$9,280,304 below its limit in the current fiscal year.

It is the Controller's responsibility to monitor this appropriation limit each year for compliance. If the sum of adjusted appropriations for two consecutive fiscal years exceeds the sum of the

appropriation limits for those two fiscal years, the excess must be returned to the taxpayers in the two subsequent fiscal years.

Sincerely,

A handwritten signature in black ink, appearing to be 'Ben Rosenfield', written over a horizontal line. The signature is stylized and somewhat illegible.

Ben Rosenfield
Controller

Attachments

cc:

Melissa Whitehouse, Mayor's Budget Office
Dennis Herrera, City Attorney
Buck Delventhal, Deputy City Attorney
Angela Calvillo, Clerk of the Board
Severin Campbell, Budget Analyst

California Constitution Article XIII B Appropriation Limit
 Fiscal Year 2017-18 Final Budget
 Exhibit A - Appropriations Funded by Proceeds of Taxes Subject to Limit

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	MUNICIPAL TRANSPORTATION FUND	TOTAL
Property Taxes	1,557,000,000	480,723,914	-	2,037,723,914
Business Taxes	750,820,000	1,900,000	-	752,720,000
Other Local Taxes	1,112,570,000	-	-	1,112,570,000
Interest (1)	13,612,746	418,974	-	14,031,721
Rents & Concessions (1)	158,620	-	35,219,189	35,377,809
Grants - State (2) (3) (4)	105,430,000	1,340,000	-	106,770,000
TOTAL PROCEEDS OF TAXES	3,539,591,366	\$484,382,888	\$35,219,189	4,059,193,444

LESS:

Indebtedness funded from proceeds of tax (Article XIII B Section 9(a) exclusion)	(303,185,312)
Federal Mandate for Social Security/Medicare (Article XIII B Section 9(b) exclusion)	(84,954,939)
Qualified Capital Outlay (Article XIII B Section 9(d) exclusion)	(152,995,820)
Other Federal Mandates (Article XIII B Section 9(b) exclusion)	(37,362,599)
NET PROCEEDS OF TAXES	3,480,694,774

	<u>Base Limit</u>	<u>Voter Adjustments</u>	
Adjusted Appropriations Limit 2017-18 - Exhibit B	3,422,386,737	67,588,340	3,489,975,077
Less: Estimated Appropriations from Proceeds of Taxes			(3,480,694,774)
FY 2017-18 Appropriations Under (Over) Statutory Limit			\$9,280,304

Notes:

- (1) Prorated allocation based upon breakdown of proceeds of tax to non-proceeds of tax.
- (2) Excludes motor vehicle fuel and weight fees (Article XIII B Section 9(e)).
- (3) Excludes funds from California Children and Families First Act of 1998 (Article XIII B Sections 13).
- (4) Excludes federal and state tobacco taxes (Article XIII B Sections 12).

**California Constitution Article XIII B Appropriation Limit
 Fiscal Year 2017-18 Final Budget
 Exhibit B - Calculation**

Fiscal Year 2017-18:

CA Per-Capita Personal Income change (1)			3.69%
Percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. (2)			0.89%
Cost of Living Change			3.69%
County of San Francisco (1)			1.08%
CCSF and Surrounding Counties (1)			0.86%
Population Percentage Change			1.08%
Cost of Living Change converted to ratio	$\frac{3.69 + 100}{100}$	=	1.0369
Population Change converted to ratio	$\frac{1.08 + 100}{100}$	=	1.0108
Calculation of Appropriations Limit:			
Ratio Change	1.0369×1.0108	=	1.0481
Appropriations Limit FY 2016-17			3,265,329,234
X Ratio Change			1.0481
Unadjusted Limit			3,422,386,737
Voter approved Limit changes:			67,588,340
Appropriations Limit FY 2017-18			<u><u>\$3,489,975,077</u></u>

(1) Per Capita Personal Income and Population Percentage Changes provided by the California Department of Finance.

(2) Assessment data provided by SF Assessor's Office

California Constitution Article XIII B Appropriation Limit
 Fiscal Year 2017-18 Final Budget
 Exhibit C - Annual Changes FY 1986-87 to FY 2017-18

Base Year Limit	801,326,815
Less: Base Year Federal Mandate Social Security	(22,922,100)
Revised Base Year Limit	778,404,715

Schedule of Annual Changes:				Limit (without Temporary Voter Adjustments) Use for Annual Adjustments
1986-87	Base Year	x	1.000000	= 778,404,715
1987-88	778,404,715	x	1.047430	= 815,324,451
1988-89	815,324,451	x	1.062090	= 865,947,946
1989-90	865,947,946	x	1.068520	= 925,282,699
1990-91	925,282,699	x	1.060650	= 981,401,095
1991-92	981,401,095	x	1.060350	= 1,040,628,651
1992-93	1,040,628,651	x	1.010590	= 1,051,648,908
1993-94	1,051,648,908	x	1.044560	= 1,098,510,047
1994-95	1,098,510,047	x	1.018782	= 1,119,142,658
1995-96	1,119,142,658	x	1.061651	= 1,188,139,325
1996-97	1,188,139,325	x	1.051410	= 1,249,221,746
1997-98	1,249,221,746	x	1.076426	= 1,344,694,767
1998-99	1,344,694,767	x	1.062538	= 1,428,789,692
1999-2000	1,428,789,692	x	1.060248	= 1,514,871,113
2000-01	1,514,871,113	x	1.062319	= 1,609,275,851
2001-02	1,609,275,851	x	1.095236	= 1,762,536,138
2002-03	1,762,536,138	x	1.020090	= 1,797,945,066
2003-04	1,797,945,066	x	1.031899	= 1,855,297,104
2004-05	1,855,297,104	x	1.041062	= 1,931,480,056
2005-06	1,931,480,056	x	1.061968	= 2,051,170,283
2006-07	2,051,170,283	x	1.048541	= 2,150,735,237
2007-08	2,150,735,237	x	1.056313	= 2,271,848,988
2008-09	2,271,848,988	x	1.058648	= 2,405,087,910
2009-10	2,405,087,910	x	1.022929	= 2,460,233,570
2010-11	2,460,233,570	x	1.018682	= 2,506,195,850
2011-12	2,506,195,850	x	1.035043	= 2,594,021,649
2012-13	2,594,021,649	x	1.042577	= 2,704,467,802
2013-14	2,704,467,802	x	1.062553	= 2,873,640,268
2014-15	2,873,640,268	x	1.015432	= 2,917,987,003
2015-16	2,917,987,003	x	1.050866	= 3,066,413,447
2016-17	3,066,413,447	x	1.064869	= 3,265,329,234
2017-18	3,265,329,234	x	1.048099	= 3,422,386,737



BOARD OF SUPERVISORS

2018 MAR -8 AM 10:48

BY Ben Rosenfield
ControTodd Rydstrom
Deputy Controller

March 6, 2018

Angela Calvillo
Clerk of the Board of Supervisors
City Hall, Room 244
1 Dr. Carlton B. Goodlett Place
San Francisco, CA 94102RE: Legislation to Establish the Appropriation Limit for Fiscal Year 2017-18,
Pursuant to California Constitution Article XIII B.

Dear Ms. Calvillo:

Enclosed is the above referenced resolution to set the City and County's appropriation limit for Fiscal Year 2017-18, as required by Government Code Section 7910. The necessary supporting documentation prepared by the Controller's Office is also enclosed.

This information must be posted and available for public inspection for fifteen days prior to a public hearing. Our working papers are available upon request at the Controller's Office, Room 316.

Please contact Michelle Allersma at (415) 554-4792 if you have any further questions regarding this matter.

Sincerely,


Ben Rosenfield
ControllerEnclosures 1) California Spending Limit Resolution
 2) Transmittal to Mayor and Board of Supervisors
 3) Supporting Documents - Exhibits

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ADAM CRAY
CCSF MAYOR'S OFFICE OF HOUSING
ONE SOUTH VAN NESS AVE 5TH FLR
SAN FRANCISCO, CA 94103-5416

EXM# 3124288

COPY OF NOTICE

Notice Type: GPN GOVT PUBLIC NOTICE
Ad Description TEFRA AD; 2060 Folsom

To the right is a copy of the notice you sent to us for publication in the SAN FRANCISCO EXAMINER. Thank you for using our newspaper. Please read this notice carefully and call us with ny corrections. The Proof of Publication will be filed with the County Clerk, if required, and mailed to you after the last date below. Publication date(s) for this notice is (are):

04/22/2018

The charge(s) for this order is as follows. An invoice will be sent after the last date of publication. If you prepaid this order in full, you will not receive an

NOTICE OF PUBLIC HEARING

NOTICE IS HEREBY GIVEN that on Monday, May 7, 2018 at 10:00 a.m., in the Mayor's Office of Housing and Community Development, 1 South Van Ness Avenue, 5th Floor, San Francisco, CA 94103, the City and County of San Francisco (the "City") will conduct a public hearing (the "Public Hearing") at which time the City will hear and consider information concerning the proposed sale and issuance by the City of multifamily affordable housing mortgage revenue bonds (the "Bonds") in an aggregate principal amount not to exceed ninety five million and 00/100 dollars (\$95,000,000). The proceeds of the Bonds will be loaned to 2060 Folsom Housing, L.P. (or an affiliate thereof or successor thereto) (the "Borrower"), pursuant to a loan agreement (the "Loan Agreement"). The proceeds of the Bonds loaned to the Borrower will be used to finance the rehabilitation of approximately 127 units of residential rental housing located at 2050, 2060, and 2070 Folsom Street and 255 and 265 Shotwell Street, San Francisco, California 94110 (the "Project"). The Project will be owned and operated by the Borrower.

The Bonds will be paid entirely by the Borrower from the revenues of the Project, in accordance with the Loan Agreement. Neither the full faith and credit nor the taxing power of the City, the State of California (the "State") or any other political corporation, subdivision or agency of the State is pledged to the payment of the principal, premium, if any, or interest on the Bonds, nor shall the City, the State or any other political corporation, subdivision or agency of the State be liable or obligated to pay the principal, premium, if any, or interest on the Bonds.

The Public Hearing is intended to comply with the public approval requirements of Section 147(f) of the Internal Revenue Code of 1986, as amended.

All those interested in matters related to the issuance of the Bonds and to the financing of the Project are invited to attend and be heard at this hearing. Interested parties may appear in person at the time and place indicated above or submit written comments, which must be received prior

to the Public Hearing, to the City, c/o Adam Cray, Mayor's Office of Housing and Community Development, at the address indicated above. Date: April 22, 2018 CITY AND COUNTY OF SAN FRANCISCO Kate Hartley, Director Mayor's Office of Housing and Community Development



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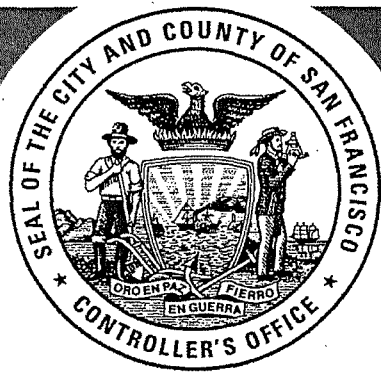
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FY 2017-18 City and County of San Francisco Appropriations Limit

Budget and Finance Committee
May 10, 2018

1615



CITY & COUNTY OF SAN FRANCISCO

Office of the Controller
Budget and Analysis Division

Background

California Propositions 4 (1979) and 98 (1988) amended the California Constitution to create the "Gann Limit," a limit on appropriations from tax proceeds.

- Certain appropriations are *not* subject to the Gann Limit, including qualified capital outlays, voter-approved debt, and federal mandates.
- The Gann Limit for the current fiscal year starts with the appropriations subject to limitation in the base year (1986-87) and inflates that amount each year by the percentage increases in population and cost of living.
- If a government exceeds the Gann Limit on average over two consecutive fiscal years, it is required to return the excess to taxpayers, usually by reducing taxes.

Adjusting the Base Year Appropriations

In each year, the methodology for calculating appropriations subject to the Gann Limit should adhere to the same methodology used in the base year.

- When the City began excluding health benefits from the Gann Limit in 1987, it also revised the base-year calculation by excluding health benefits.
- The revised base year amount was used as the starting point for the inflation factors that increase the limit each year.
- In 2005, the City stopped excluding health benefits. However, it did not make the same change to the base year.
- This year, we revised the base year appropriations subject to limitation to maintain a consistent methodology between the base year and the current year. This raises the limit by \$87 million in the current year.

Temporary, Voter-Approved Increases

- With voter approval, the Gann Limit can be increased for up to four years.
- In November 2016, the Soda and Sugary Sweetened Beverages Tax and the Real Property Transfer Tax both raised the Gann Limit by the aggregate sum collected from the taxes.
- In FY 2017-18, these temporary increases raise the Gann Limit by more than \$67 million.
- In FY 2020-21, the Gann Limit will return to the level it would have been without the temporary increases.

Fiscal Year 2017-18 Appropriations Limit

- FY 2016-17 Limit (revised base): \$3,265,329,234
- 2016 San Francisco Population Increase: 1.08%
- 2016 Increase in California per Capita Income: 3.69%
- Temporary Voter Approved Increase in the Limit:
\$67,588,340
- FY 2017-18 Limit: \$3,489,975,077

FY 2017-18 Appropriations Limit

6

Appropriations Subject to Limit

FY 2017-18 Estimated Total Tax Proceeds:	\$ 4,059,193,444
Less Appropriations Excluded from the Limit:	
Voter-Approved Debt:	-\$ 303,185,312
Qualified Capital Outlay:	-\$ 152,995,820
Federal Mandates (FICA / ADA Compliance) :	<u>-\$ 122,317,538</u>
<i>Net Tax Proceeds:</i>	<i>\$ 3,480,694,774</i>
<hr/>	
FY 2017-18 Appropriations Subject to Limit:	\$ 3,489,975,077
Net Tax Proceeds:	<u>-\$ 3,480,694,774</u>
Amount Below Limit:	\$ 9,280,304

History of Appropriations Below the Limit

