



**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.

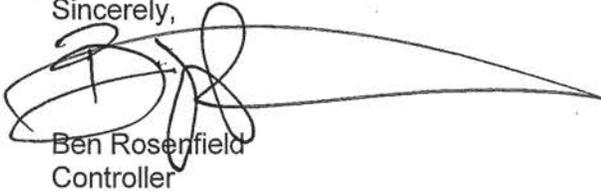
#### City and County Appropriations are under the Limit

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 with loops and a long tail that extends to the right.

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
<b>TOTAL PROCEEDS OF TAXES</b>	<b>3,539,591,366</b>	<b>\$484,382,888</b>	<b>\$35,219,189</b>	<b>4,059,193,444</b>

**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)				<u>(37,362,599)</u>

**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			<u>(3,480,694,774)</u>
<b>FY 2017-18 Appropriations Under (Over) Statutory Limit</b>			<b>\$9,280,304</b>

**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	$1.0369 \times 1.0108$	=	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

Limit (without  
 Temporary Voter  
 Adjustments)  
 Use for Annual  
 Adjustments

Schedule of Annual Changes:

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