



**Ben Rosenfield**  
Controller

**Monique Zmuda**  
Deputy Controller

November 8, 2013

Angela Calvillo  
Clerk of the Board of Supervisors  
City Hall, Room 244  
1 Dr. Carlton B. Goodlett Place  
San Francisco, CA 94102

RE: Legislation to Establish the Appropriation Limit for Fiscal Year 2013-14,  
Pursuant to California Constitution Article XIII B.

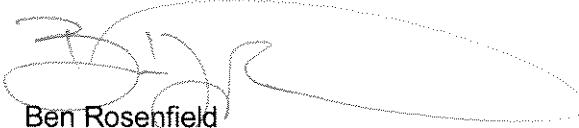
Dear Ms. Calvillo:

Enclosed is the above referenced resolution to set the City and County's appropriation limit for fiscal year 2013-14, 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 Controller's Office, Room 316.

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

Sincerely,



Ben Rosenfield  
Controller

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

1 [California Constitution Appropriations Limit for FY2013-2014]

2  
3 **Resolution establishing the appropriations limit for FY2013-2014 pursuant to California**  
4 **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  
21 for the calculation of the cost of living, the use of either the percentage change in California  
22 per-capita personal income from the preceding year, or the percentage change in the local  
23 assessment roll from the preceding year for the jurisdiction due to the addition of local non-  
24 residential new construction; and

1           WHEREAS, The change in California per-capita personal income from fiscal year  
2 2012-13 is 5.12%, while the percentage change in the local assessment roll from 2012 due to  
3 the addition of local non-residential new construction was 0.08%; and

4           WHEREAS, The percentage change in population during calendar year 2012 for the  
5 City and County of San Francisco according to the State Department of Finance was 1.08%;  
6 and

7           WHEREAS, The resulting calculation establishing the City and County of San  
8 Francisco's fiscal year 2013-14 Appropriations Limit is:

9           \$2,634,687,668 X 1.0512 X 1.0108 = \$2,799,495,180; and

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

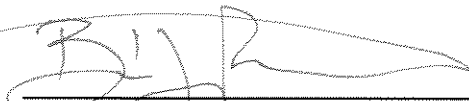
12          WHEREAS, The documentation used to determine the Appropriations Limit for the City  
13 and County of San Francisco for FY2013-2014 was available for public inspection in the  
14 Office of the Clerk of the Board of Supervisors for at least 15 days prior to said regularly  
15 scheduled meeting; now, therefore, be it

16  
17          RESOLVED, That the City and County of San Francisco elects to use the change in  
18 California per-capita personal income from fiscal year 2012-13 and elects to use the annual  
19 percent change in population as measured by the San Francisco City and County population  
20 growth from the previous year for the purpose of computation of its Appropriations Limit  
21 pursuant to Article XIII B of the California Constitution for FY 2012-2013; and, be it

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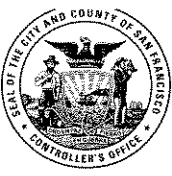
FURTHER RESOLVED, That the net appropriations limit for FY 2013-2014 is established at \$2,799,495,180.

Recommended:



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Ben Rosenfield,  
Controller



Ben Rosenfield  
Controller

Monique Zmuda  
Deputy Controller

November 8, 2013

Mayor Edwin M. Lee  
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 2013-14

Dear Mayor Lee 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 2013-14. We estimate City and County appropriations are approximately \$103.1 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, which 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 inflation.

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 inflation as determined by the 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, in calendar year 2012, the San Francisco City and County population growth was 1.08%. This growth factor is being used in the calculation. Inflation 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 fiscal year 2013-14 change in per capita income was 5.12%,

while the local assessment growth due to non-residential new construction was 0.08%. The fiscal year 2013-14 change in per capita income is used in the calculation (See Exhibit B).

Adjustments to Proceeds of Taxes

There are a series of downward adjustments to proceeds of taxes allowed by Article XIII B. The following exclusions are factored into our calculation of Net Proceeds of Taxes:

- (1) \$218.2 million is excluded as voter-approved bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$64.4 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b));
- (3) \$0.2 million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e)); and,
- (4) \$3.1 million is excluded for the hazardous waste program (Governmental Code Section 7901(i) (2)).

City and County Appropriations are well under the Limit

Our appropriation limit for FY 2013-14 is \$2,799,495,180. We estimate that our appropriations subject to limitation will be \$2,696,388,530. Thus, the Controller projects that the City and County will be \$103,106,650 below its limit in the current fiscal year.

It is the Controller's responsibility to monitor this appropriation limit each year for compliance. When the fiscal year in question has been audited, we will compare the actual appropriations to the budgeted appropriations and the actual mandate costs to the estimates. If the total adjusted appropriations funded from proceeds of taxes exceed the statutory limit, such excess must be returned to the taxpayers within two years.

Sincerely,



Ben Rosenfield  
Controller

Attachments

cc: Kate Howard, Mayor's Budget Office  
Dennis Herrera, City Attorney  
Buck Delventhal, Deputy City Attorney  
Angela Calvillo, Clerk of the Board  
Harvey Rose, Budget Analyst

**California Constitution Article XIII B Appropriation Limit  
Fiscal Year 2013-14 Final Budget  
Exhibit A - Appropriations Funded by Proceeds of Taxes Subject to Limit**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	MUNICIPAL TRANSPORTATION FUND	TOTAL
Property Taxes	1,153,417,389	345,313,356	-	1,498,730,745
Business Taxes	532,988,000	1,000,000	-	533,988,000
Other Local Taxes	846,924,000	-	-	846,924,000
Interest (1)	8,110,270	775,831	-	8,886,101
Rents & Concessions (1)	1,797,778	-	-	1,797,778
Grants - State (2) (3) (4)	90,675,000	1,262,000	-	91,937,000
<b>TOTAL PROCEEDS OF TAXES</b>	<b>\$2,633,912,437</b>	<b>\$348,351,187</b>	<b>\$0</b>	<b>\$2,982,263,624</b>

**LESS:**

Voted approved indebtedness funded from proceeds of tax (Article XIII B Section 9(a) exclusion)	(218,201,356)
Federal Mandate for Social Security/Medicare (Article XIII B Section 9(b) exclusion)	(64,380,048)
Qualified Capital Outlay (Article XIII B Section 9(d) exclusion)	(183,227)
Hazardous Waste (Government Code Section 7901(i)(2) exclusion)	(3,110,463)

**NET PROCEEDS OF TAXES** \$2,696,388,530

Adjusted Appropriations Limit 2013-14 - Exhibit B	2,799,495,180
Less: Estimated Appropriations from Proceeds of Taxes	<u>(2,696,388,530)</u>
<b>FY 2013-14 Appropriations Under (Over) Statutory Limit</b>	<b>\$103,106,650</b>

**California Constitution Article XIII B Appropriation Limit  
 Fiscal Year 2013-14 Final Budget  
 Exhibit B - Calculation**

Fiscal Year 2013-14:

CA Per-Capita Personal Income change			5.12%
Population percentage change - County of San Francisco (1)			1.08%

CA Per-Capita Personal Income Change converted to ratio	$\frac{5.12 + 100}{100}$	=	1.05120
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Population Change converted to ratio	$\frac{1.08 + 100}{100}$	=	1.01080
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Calculation of Appropriations Limit:

Ratio Change	$1.0512 \times 1.01080$	=	1.062553
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Appropriations Limit FY 2012-13			\$2,634,687,668
X Ratio Change			1.062553

Appropriations Limit FY 2013-14			<u><u>\$2,799,495,180</u></u>
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(1) Per Capita Personal Income and Population Percentage Changes provided by the California Department of Finance.



**California Constitution Article XIII B Appropriation Limit  
Fiscal Year 2013-14 Final Budget  
Exhibit C - Annual Changes FY 1980-81 to FY 2013-14**

Base Year Limit	421,812,990
Less: Base Year Voter-Approved Indebtedness funded from Proceeds of Taxes	(11,347,967)
Franchise Fees in Base Year	<u>(1,405,000)</u>
Revised Base Year Limit	409,060,023

Schedule of Annual Changes:

1980-81:	Base Year	x	1.261700	=	\$516,111,031
1981-82	516,111,031	x	1.103200	=	569,373,689
1982-83	569,373,689	x	1.080800	=	615,379,083
1983-84	615,379,083	x	1.040300	=	640,178,860
1984-85	640,178,860	x	1.061900	=	679,805,931
1985-86	679,805,931	x	1.055300	=	717,399,199
1986-87	717,399,199	x	1.058500	=	759,367,052
1987-88	759,367,052	x	1.047430	=	795,383,831
1988-89	795,383,831	x	1.062090	=	844,769,213
1989-90	844,769,213	x	1.068520	=	902,652,799
1990-91	902,652,799	x	1.060650	=	957,398,691
1991-92	957,398,691	x	1.060350	=	1,015,177,702
1992-93	1,015,177,702	x	1.010590	=	1,025,928,434
1993-94	1,025,928,434	x	1.044560	=	1,071,643,477
1994-95	1,071,643,477	x	1.018782	=	1,091,771,470
1995-96	1,091,771,470	x	1.061651	=	1,159,080,666
1996-97	1,159,080,666	x	1.051410	=	1,218,669,177
1997-98	1,218,669,177	x	1.076426	=	1,311,807,188
1998-99	1,311,807,188	x	1.062538	=	1,393,845,379
1999-2000	1,393,845,379	x	1.060248	=	1,477,821,483
2000-01	1,477,821,483	x	1.062319	=	1,569,917,337
2001-02	1,569,917,337	x	1.093726	=	1,717,059,535
2002-03	1,717,059,535	x	1.020090	=	1,751,554,849
2003-04	1,751,554,849	x	1.031899	=	1,807,427,102
2004-05	1,807,427,102	x	1.041062	=	1,881,644,397
2005-06	1,881,644,397	x	1.061968	=	1,998,246,400
2006-07	1,998,246,400	x	1.048541	=	2,095,242,399
2007-08	2,095,242,399	x	1.056313	=	2,213,231,198
2008-09	2,213,231,198	x	1.058648	=	2,343,032,316
2009-10	2,343,032,316	x	1.022929	=	2,396,755,118
2010-11	2,396,755,118	x	1.018682	=	2,441,531,489
2011-12	2,441,531,489	x	1.035043	=	2,527,091,225
2012-13	2,527,091,225	x	1.042577	=	2,634,687,668
2013-14	2,634,687,668	x	1.062553	=	2,799,495,180

Assessor Recorder  
 FY 2013-2014 Gann Limit  
 August 15, 2013  
 (Unaudited)

	2012-13	2011-12	FY12-13 vs FY 11-12 Change
Basis of Levy (with SBE Roll)	173,136,510,972	159,303,239,998	13,833,270,974
Less: Roll Increase Due to Non-residential New construction In-Progress Assessment	\$ (122,433,694) \$ (1,317,007,571)		
Adjusted Basis of Levy	171,697,069,707	159,303,239,998	13,833,270,974

Source: MIS Report

Non-Residential New Construction divided by prior year Basis of Levy	0.08%
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**Reference Section**

**CA Constitution Article XIII B Section 8, e-2**

- (e) (1) "Change in the cost of living" for the State, a school district, or a community college district means the percentage change in California per capita personal income from the preceding year.
- (2) "Change in the cost of living" for an entity of local government, other than a school district or a community college district, shall be either (A) the percentage change in California per capita personal income from the preceding year, or (B) the percentage change in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction. Each entity of local government shall select its change in the cost of living pursuant to this paragraph annually by a recorded vote of the entity's governing body.