



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Greg Wagner
Controller
ChiaYu Ma
Deputy Controller

February 10, 2024

Mayor Daniel Lurie
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 2024-25

Dear Mayor Lurie and Board Members:

In accordance with Article XIII B of the State Constitution, attached is the resolution establishing the City and County's annual appropriations limit for FY 2024-25. We estimate City and County appropriations are approximately \$6,377 million below the state-mandated appropriations 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 appropriations 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 "Article XIII B California Constitution Appropriations Limit Procedure Guidelines for California Counties" prepared by the County Accounting Standards and Procedures Committee (See Exhibit A).

Annual Appropriations Limit Adjustments

Each year the City and County of San Francisco adjusts its appropriations limit based upon two factors: population growth and the cost of living as determined by California Government Code. Population growth is determined using either the change in San Francisco City and County population or the change in the nine Bay Area counties. According to the California Department of Finance, between January 1, 2023 and January 1, 2024, San Francisco City and County population increased by 0.11% and the Bay Area counties declined by 0.16%. The maximum growth factor, 0.11%, is used in the calculation. Cost of living is determined 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 2023-24 is 3.62%, while the local assessment growth in 2022 due to non-residential new construction is 16.95%. For FY 2024-25, the increase in local assessment growth is used in the appropriations limit 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) \$477.0 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$117.7 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$143.5million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e)).

Adjustments to the Appropriations Limit

Article XIII B allows voters to approve an increase to the appropriations limit for up to four years. For FY 2024-25, there are no voter approved increases to the appropriations limit. However, beginning in FY 2025-26, the appropriations limit will increase by the revenue generated through the Business Tax Overhaul (Proposition M-November 2024).

City and County Appropriations are under the Limit

The appropriations limit for FY 2024-25 is \$11,752,763,337. We estimate that appropriations subject to limitation will be \$5,376,055,074. Thus, the Controller projects that the City and County will be \$6,376,708,263 below its limit in the current fiscal year.

It is the Controller's responsibility to monitor this appropriations limit each year for compliance. If the sum of adjusted appropriations for two consecutive fiscal years exceeds the sum of the appropriations 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 read 'Greg Wagner', with a long horizontal flourish extending to the right.

Greg Wagner
Controller

Attachments

cc: Sophia Kittler, Mayor's Budget Director
David Chiu, City Attorney
Jon Givner, Deputy City Attorney
Angela Calvillo, Clerk of the Board
Dan Goncher, Budget Analyst