



**Ben Rosenfield**  
Controller

**Todd Rydstrom**  
Deputy Controller

October 27, 2015

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 2015-16

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 2015-16. We estimate City and County appropriations are approximately \$62 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, between January 1, 2014 and January 1, 2015, San Francisco City and County population growth was 1.22%. 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 2014-15 change in per capita

income was 3.82%, while the local assessment growth due to non-residential new construction was 0.33%. The fiscal year 2014-15 increase in California per capita personal 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) \$220.5 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$140.9 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$167.0 million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e))

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

Our appropriation limit for FY 2015-16 is \$2,991,417,308. We estimate that our appropriations subject to limitation will be \$2,929,400,807. Thus, the Controller projects that the City and County will be \$62,016,501 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 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 Herrerra, City Attorney  
Buck Delventhal, Deputy City Attorney  
Angela Calvillo, Clerk of the Board  
Harvey Rose, Budget Analyst