



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

January 15, 2021

Mayor London Breed
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 2020-21

Dear Mayor Breed 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 2020-21. We estimate City and County appropriations are approximately \$3,767 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 the change in San Francisco City and County population. According to the California Department of Finance, between January 1, 2019 and January 1, 2020, San Francisco City and County population growth was 0.76%. This growth factor 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 2019-20 is 3.73%, while the local assessment growth in 2019 due to non-residential new construction is 28.95%. The fiscal year 2020-21 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) \$277.2 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$107.5 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$158.0 million 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. In the past four years, voters approved seven measures: the Tax on Cannabis Businesses (Proposition D-November 2018), the Homeless Gross Receipts Tax (Proposition C-November 2018), the Traffic Congestion Mitigation Tax (Proposition D-November 2019), the Parcel Tax for San Francisco Unified School District (Proposition J-November 2020), the Real Estate Transfer Tax (Proposition I-November 2020), the Executive Compensation Tax (Proposition L-November 2020), and the Business Tax Overhaul (Proposition F-November 2020). This adjustment raises the FY 2020-21 appropriations limit by \$1,362.9 million.

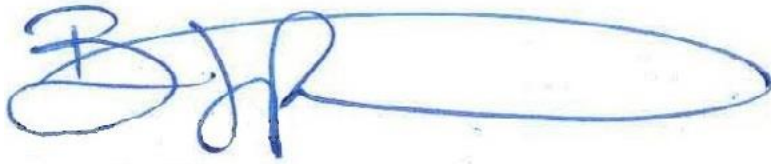
In June 2018, voters approved a City parcel for the benefit of the San Francisco Unified School District and the Early Care and Education Commercial Rents Tax. These measures include temporary overrides to raise the appropriations limit. However, these measures are currently in litigation and the City has not yet recognized any revenue from these measures. The override cannot extend further than four years after the date measure was approved by voters regardless of when these revenues are recognized.

City and County Appropriations are under the Limit

The appropriations limit for FY 2020-21 is \$8,364,999,808. We estimate that appropriations subject to limitation will be \$4,597,952,311. Thus, the Controller projects that the City and County will be \$3,767,047,497 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 blue ink, appearing to read 'B. Rosenfield', followed by a long horizontal oval flourish.

Ben Rosenfield
Controller

Attachments

cc: Kelly Kirkpatrick, Mayor's Budget Director
Dennis Herrera, City Attorney
Jana Clark, Deputy City Attorney
Angela Calvillo, Clerk of the Board
Harvey Rose, Budget Analyst