

File No. 141257

Committee Item No. 2
Board Item No. 14

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Budget & Finance Committee

Date January 14, 2015

Board of Supervisors Meeting

Date January 27, 2015

Cmte Board

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| <input type="checkbox"/> | <input type="checkbox"/> | Form 126 – Ethics Commission |
| <input type="checkbox"/> | <input type="checkbox"/> | Award Letter |
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Completed by: Linda Wong Date January 9, 2015
Completed by: L.W. Date January 21, 2015

1 [California Constitution Appropriations Limit - FY2014-2015]

2
3 **Resolution establishing the appropriations limit for FY2014-2015 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 FY2013-2014
2 is -0.23%, while the percentage change in the local assessment roll from 2013 due to the
3 addition of local non-residential new construction was 0.25%; and

4 WHEREAS, The percentage change in population during calendar year 2013 for the
5 City and County of San Francisco according to the State Department of Finance was 1.29%;
6 and

7 WHEREAS, The resulting calculation establishing the City and County of San
8 Francisco's FY2014-2015 Appropriations Limit is:

9 \$2,799,495,180 X 1.0025 X 1.0129 = \$2,842,635,601; and

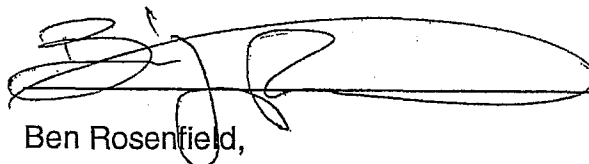
10 WHEREAS, This matter has been considered at a regularly scheduled meeting of the
11 Board of Supervisors for the City and County of San Francisco; and

12 WHEREAS, The documentation used to determine the Appropriations Limit for the City
13 and County of San Francisco for FY2014-2015 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 RESOLVED, That the City and County of San Francisco elects to use the percentage
17 change in the local assessment roll from 2013 due to the addition of local non-residential new
18 construction and elects to use the percent change in population within its jurisdiction from the
19 previous year for the purpose of computation of its Appropriations Limit pursuant to Article XIII
20 B of the California Constitution for FY2014-2015; and, be it

1 FURTHER RESOLVED, That the net appropriations limit for FY 2014-2015 is
2 established at \$2,842,635,601.

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4 Recommended:



5 Ben Rosenfield,

6 Controller

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Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

December 3, 2014

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

RECEIVED
BOARD OF SUPERVISORS
SAN FRANCISCO
2014 DEC -03 AM 11:19
AK

RE: Legislation to Establish the Appropriation Limit for Fiscal Year 2014-15,
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 2014-15, 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



Ben Rosenfield
Controller

Todd Rydstrom
Deputy Controller

December 3, 2014

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 2014-15

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 2014-15. We estimate City and County appropriations are approximately \$81 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 2013 and January 1 2014, the San Francisco City and County population growth was 1.29%. 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 -0.23%, while the local assessment growth due to non-residential new construction was 0.25%. The fiscal year 2014-15 increase in the local assessment roll due to the addition of non-residential new construction 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) \$245.4 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$64.2 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b));
- (3) \$180.3 million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e)); and,
- (4) \$3.2 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 2014-15 is \$2,842,635,601. We estimate that our appropriations subject to limitation will be \$2,761,665,320. Thus, the Controller projects that the City and County will be \$80,970,281 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 2014-15 Final Budget
 Exhibit A - Appropriations Funded by Proceeds of Taxes Subject to Limit

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	MUNICIPAL TRANSPORTATIO N FUND	TOTAL
Property Taxes	1,232,927,389	367,148,388	-	1,600,075,777
Business Taxes	572,385,000	1,000,000	-	573,385,000
Other Local Taxes	910,430,000	-	-	910,430,000
Interest (1)	4,979,271	776,582	-	5,755,854
Rents & Concessions (1)	1,794,089	1,796,191	65,039,561	68,629,841
Grants - State (2) (3) (4)	95,170,000	1,340,000	-	96,510,000
TOTAL PROCEEDS OF TAXES	\$2,817,685,749	\$372,061,161	\$65,039,561	\$3,254,786,471
LESS:				
Indebtedness funded from proceeds of tax (Article XIII B Section 9(a) exclusion)				(245,442,021)
Federal Mandate for Social Security/Medicare (Article XIII B Section 9(b) exclusion)				(64,150,094)
Qualified Capital Outlay (Article XIII B Section 9(d) exclusion)				(180,349,879)
Hazardous Waste (Government Code Section 7901(i)(2) exclusion)				(3,179,157)
NET PROCEEDS OF TAXES				\$2,761,665,320
Adjusted Appropriations Limit 2013-14 - Exhibit B				2,842,635,601
Less: Estimated Appropriations from Proceeds of Taxes				(2,761,665,320)
FY 2013-14 Appropriations Under (Over) Statutory Limit				\$80,970,281

**California Constitution Article XIIB Appropriation Limit
 Fiscal Year 2014-15 Final Budget
 Exhibit B - Calculation**

Fiscal Year 2014-15:

CA Per-Capita Personal Income change (1) -0.23%

Percentage change in the local assessment roll from the preceding year
 for the jurisdiction due to the addition of local nonresidential new construction. (2) 0.25%

Cost of Living Change 0.25%

Population percentage change -
 County of San Francisco (1) 1.29%

Cost of Living Change converted to ratio $\frac{0.25 + 100}{100} = 1.0025$

Population Change converted to ratio $\frac{1.29 + 100}{100} = 1.0129$

Calculation of Appropriations Limit:

Ratio Change $1.0025 \times 1.0129 = 1.0154$

Appropriations Limit FY 2013-14 2,799,495,180
 X Ratio Change 1.0154

Appropriations Limit FY 2014-15 \$2,842,635,601

(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 2014-15 Final Budget
Exhibit C - Annual Changes FY 1980-81 to FY 2014-15**

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
2014-15	2,799,495,180	x	1.015410072	=	2,842,635,601

Assessor Recorder
FY 2014-2015 Gann Limit
August 15, 2014
(Unaudited)

Basis of Levy (with SBE Roll) 2013-2014		173,136,510,972
Non-residential new construction - supplemental improvements 2013-2014	\$	130,522,565
Non-residential new construction - in-progress improvements 2013-2014	\$	298,527,721
Total assessed value of nonresidential new construction	\$	429,050,286

Source: Certificate of Assessed Valuation, MIS Report

Non-Residential New Construction Growth Factor	0.25%
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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.