



OFFICE OF THE CONTROLLER
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield
Controller
Todd Rydstrom
Deputy Controller

February 12, 2024

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 2023-24

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 2023-24. We estimate City and County appropriations are approximately \$6,294 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, 2022 and January 1, 2023, San Francisco City and County population declined by 0.64% and the Bay Area counties declined by 0.45%. The maximum growth factor, -0.45%, 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 2022-23 is 4.44%, while the local assessment growth in 2021 due to non-residential new construction is 9.74%. The fiscal year 2023-24 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) \$471.7 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$140.7 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$163.0 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 that included increases to the appropriations limit: 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), the Business Tax Overhaul (Proposition F-November 2020); and the Residential Vacancy Tax (Proposition M-November 2022. This adjustment raises the FY 2023-24 appropriations limit by \$1,693.7 million.

City and County Appropriations are under the Limit

The appropriations limit for FY 2023-24 is \$11,678,040,780. We estimate that appropriations subject to limitation will be \$5,384,322,904. Thus, the Controller projects that the City and County will be \$6,293,717,876 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,

/s/

Ben Rosenfield
Controller

Attachments

cc: Anna Duning, Mayor's Budget Director
David Chiu, City Attorney
Jon Givner, Deputy City Attorney
Angela Calvillo, Clerk of the Board
Harvey Rose, Budget Analyst