



Ben Rosenfield
Controller
Monique Zmuda
Deputy Controller

November 5, 2012

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

RE: Legislation to Establish the Appropriation Limit for Fiscal Year 2012-13,
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 2012-13, 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 Leo Levenson at (415) 554-4809 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
Monique Zmuda
Deputy Controller

November 5, 2012

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 2012-13

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 2012-13. We estimate City and County appropriations are approximately \$168.6 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, in calendar year 2011, the San Francisco City and County population growth was 0.47%. 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 2012-13 change in per capita income was 3.77%,

while the local assessment growth due to non-residential new construction was 0.40%. The fiscal year 2012-13 change in per capita 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) \$171.6 million is excluded as voter-approved bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$59.6 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b));
- (3) \$2.5 million is excluded under the determination of "qualified capital outlay" (Article XIII B Section 9(e)); and,
- (4) \$3.3 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 2012-13 is \$2,634,687,668. We estimate that our appropriations subject to limitation will be \$2,466,068,486. Thus, the Controller projects that the City and County will be \$168,619,182 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 2012-13 Final Budget
Exhibit A - Appropriations Funded by Proceeds of Taxes Subject to Limit**

	GENERAL FUND	OTHER GOVERNMENTAL FUNDS	MUNICIPAL TRANSPORTATION FUND	TOTAL
Property Taxes	1,078,083,389	290,097,000	-	1,368,180,389
Business Taxes	452,805,800	1,000,000	-	453,805,800
Other Local Taxes	733,295,100	56,385,500	-	789,680,600
Interest (1)	5,023,879	773,813	-	5,797,692
Rents & Concessions (1)	1,455,928	76,314	-	1,532,242
Grants - State (2) (3) (4)	82,806,000	1,262,000	-	84,068,000
TOTAL PROCEEDS OF TAXES	\$2,353,470,096	\$349,594,627	\$0	\$2,703,064,723

LESS:

Voted approved indebtedness funded from proceeds of tax (Article XIII B Section 9(a) exclusion)	(171,601,000)
Federal Mandate for Social Security/Medicare (Article XIII B Section 9(b) exclusion)	(59,595,647)
Qualified Capital Outlay (Article XIII B Section 9(d) exclusion)	(2,546,908)
Hazardous Waste (Government Code Section 7901(i)(2) exclusion)	<u>(3,252,683)</u>

NET PROCEEDS OF TAXES \$2,466,068,486

Adjusted Appropriations Limit 2012-13 - Exhibit B	2,634,687,668
Less: Estimated Appropriations from Proceeds of Taxes	<u>(2,466,068,486)</u>
FY 2011-12 Appropriations Under (Over) Statutory Limit	<u><u>\$168,619,182</u></u>

- (1) Prorated allocation based upon breakdown of proceeds of tax to non-proceeds of tax.
- (2) Excludes motor vehicle fuel and weight fees (Article XIII B Section 9(e)).
- (3) Excludes funds from California Children and Families First Act of 1998 (Article XIII B Sections 12).
- (4) Excludes federal and state tobacco taxes (Article XIII B Sections 13).

**California Constitution Article XIII B Appropriation Limit
 Fiscal Year 2012-13 Final Budget
 Exhibit B - Calculation**

Fiscal Year 2012-13:

CA Per-Capita Personal Income change			3.77%
Population percentage change - County of San Francisco (1)			0.47%

CA Per-Capita Personal Income Change converted to ratio	$\frac{3.77 + 100}{100}$	=	1.03770
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Population Change converted to ratio	$\frac{0.47 + 100}{100}$	=	1.00470
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Calculation of Appropriations Limit:

Ratio Change	1.0377×1.0047	=	1.042577
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Appropriations Limit FY 2011-12		\$2,527,091,225
X Ratio Change		1.042577

Appropriations Limit FY 2012-13		<u><u>\$2,634,687,668</u></u>
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(1) Per Capita Personal Income and Population Percentage Changes provided by the California Department of Finance.

Assessor Recorder
 FY 2012-2013 Gann Limit
 August 15, 2011
 (Unaudited)

	2011-12	2010-11	FY 11-12 vs FY 10-11 Change
Basis of Levy (with SBE Roll)	159,303,239,998	158,521,517,382	781,722,616
Less: Roll Increase Due to Non-residential New construction In-Progress Assessment	(634,125,910) \$ (1,319,476,830) \$	(362,060,645) (679,497,205)	-272,065,265 -639,979,625
Adjusted Basis of Levy	157,349,637,258	157,479,959,532	-130,322,274

% Change due to Non-Residential NC

Source: MIS Report

Addition of Non-Residential New Construction Growth Factor	New Construction divided by Prior Year Basis of Levy
	0.40%

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.