



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