

**OFFICE OF THE CONTROLLER**  
CITY AND COUNTY OF SAN FRANCISCO

Ben Rosenfield  
Controller  
Todd Rydstrom  
Deputy Controller

December 19, 2019

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 2019-20

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 2019-20. We estimate City and County appropriations are approximately \$1,456 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, 2018 and January 1, 2019, San Francisco City and County population growth was 0.33%. 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 2018-19 is 3.85%, while the local assessment growth in 2018 due to non-residential new construction is 23.65%. The fiscal year 2019-20 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) \$465.6 million is excluded as bonded indebtedness (Article XIII B, Section 9(a));
- (2) \$118.2 million is excluded as the federal mandate for Social Security and Medicare payroll taxes (Article XIII B, Section 9(b)); and,
- (3) \$222.8 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 three measures, the Soda and Sugary Sweetened Beverages Tax, the increase in the Real Estate Transfer Tax, and the Tax on Cannabis Businesses, that increased the appropriations limit by the aggregate sum collected by the levy of these taxes. This adjustment raises the FY 2019-20 appropriations limit by \$139.7 million.

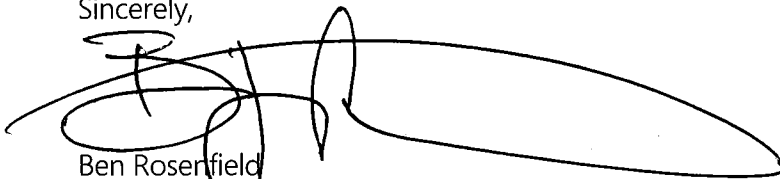
In June 2018, voters approved the Commercial Rent tax for Housing and Homelessness Services and a City parcel tax for the benefit of the San Francisco Unified School District. In November 2018, voters approved Our City, Our Home gross receipts tax. All three measures included temporary overrides to raise the appropriations limit. However, these measures are currently in litigation and consequently, the City is not recognizing any revenue from these measures or including them as proceeds of taxes. The override cannot extend further than four years after the date the 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 2019-20 is \$5,528,830,486. We estimate that appropriations subject to limitation will be \$4,073,169,324. Thus, the Controller projects that the City and County will be \$1,455,661,162 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,



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