CITY AND COUNTY OF SAN FRANCISCO

BOARD OF SUPERVISORS

BUDGET AND LEGISLATIVE ANALYST

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January 24, 2020

TO: Budget and Finance Committee

FROM: Budget and Legislative Analyst

SUBJECT: January 29, 2020 Budget and Finance Committee Meeting

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Item 1 **File 20-0010** *(Continued from January 22, 2020)*	**Department:** Human Services Agency (HSA)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve the second amendment to the grant agreement between the Human Services Agency (HSA) and the Institute on Aging. The resolution increases grant by $1,076,558 from $10,564,736 under the first amendment to $11,641,294. The grant agreement's term length of July 1, 2019 through June 30, 2021 remains unchanged.

Key Points

- The Community Living Fund was established by the Board of Supervisors in 2006. Appropriations to the fund may only be used for the Department of Disability and Aging Services programming related to community placement, as specified in Section 10.100-12 of the Administrative Code. The Community Living Fund (CLF) provides funds for case management and purchase of services for older adults and adults with disabilities.
- HSA entered into the original two-year CLF grant agreement with the Institute on Aging in July 2019 for $9,794,376. The Board of Supervisors approved the first amendment to the grant agreement in November 2019, increasing the grant agreement amount to $10,564,736.

Fiscal Impact

- Under the proposed second amendment, the grant agreement budget in FY 2019-20 is $5,800,997 and FY 2020-21 is $5,840,297, totaling $11,641,294 over two years.
- Grant funding is 25 percent State and Federal and 75 percent General Fund.

Recommendations

- Amend the proposed resolution to clarify that the total increase is $1,076,558, from $10,564,736 under the first amendment to $11,641,294 under the second amendment.
- Approve the proposed resolution as amended.

MANDATE STATEMENT

City Charter Section 9.118(b) states that any contract entered into by a department, board or commission that (1) has a term of more than ten years, (2) requires expenditures of $10 million or more, or (3) requires a modification of more than $500,000 is subject to Board of Supervisors approval.

BACKGROUND

The San Francisco Human Services Agency (HSA) is responsible for providing services to older adults and adults with disabilities through the Department of Disability and Aging Services (formerly known as the Department of Aging and Adult Services).

Community Living Fund (CLF)

The Community Living Fund was established by the Board of Supervisors in 2006 (File 06-0793). Appropriations to the fund may only be used for the Department of Disability and Aging Services programming related to community placement, as specified in Section 10.100-12 of the Administrative Code. The Community Living Fund (CLF) provides funds for case management and purchase of services for older adults and adults with disabilities.

The Disability and Aging Services Commission approved the Institute on Aging to administer the Community Living Fund program at its meeting on May 1, 2019. The Institute on Aging (IOA) was chosen through a Request for Proposals (RFP) in October 2018 and was awarded a grant agreement of $9,794,736 that runs July 1, 2019 through June 30, 2021. IOA's proposal was found to be fully responsive to the RFP and they were the only bidder. According to Mr. David Kashani, Senior Contract Manager at HSA, the Institute on Aging has been providing CLF services since 2007 and the most recent grant monitoring demonstrates that IOA is meeting their performance goals.[1] In November 2019, the Board of Supervisors approved the first amendment to the grant agreement between the City and the Institute on Aging, increasing the amount of the grant by $770,000 and bringing the not-to-exceed amount to $10,564,736 during the agreement term of July 1, 2019 through June 30, 2021 (File 19-1049).

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve the second amendment to the grant agreement between the City (through the Human Services Agency) and the Institute on Aging. The resolution increases grant by $1,076,558 from $10,564,736 under the first amendment to $11,641,294. The grant agreement's term length of July 1, 2019 through June 30, 2021 remains unchanged.

The Disability and Aging Services Commission approved the second amendment to the Community Living Fund grant agreement with Institute on Aging at its meeting on January 10, 2020.

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[1] Performance goals include delivering sufficient units of services, data quality and reporting standards, retaining qualified staff, and delivering consistent outcomes for clients.

According to Mr. Kashani, HSA anticipates extending the grant through June 30, 2024, consistent with the original RFP, after the current grant agreement expires on June 30, 2021. In FY 2023-24, HSA plans to issue a new Request for Proposals for the administration of the Community Living Fund.

FISCAL IMPACT

The grant agreement increases by $1,076,558, from $10,564,736 under the first amendment approved by the Board of Supervisors in November 2019 (File 19-1049) to $11,641,294 under the proposed resolution for the second amendment to the grant agreement, as shown in Exhibit 1 below.

Exhibit 1: Grant Agreement Increases

		Increase first amendment	Increase second amendment
Original agreement	$9,794,736		
First amendment	$10,564,736	$770,000	
HSA addition [2]	$10,826,400		$261,664
Proposed second amendment	$11,641,294		$814,894
Total		$770,000	$1,076,558

The grant agreement increased by $261,664 since the first modification to the grant agreement to fund the Housing and Disability Income Advocacy Program (HDAP) noted below in footnote 4. The contingency for FY 2019-20 was used to fund HDAP services in anticipation of receiving a HDAP grant from the State.

Exhibit 2 below shows the proposed changes for the grant term of July 1, 2019 through June 30, 2021.

[2] Because the increase in the grant amount from $10,564,736 to $10,826,400 was less than $500,000, it did not require Board of Supervisors approval. The increase was the $261,664 in State funding for The Housing and Disability Income Advocacy Program.

Exhibit 2: Changes to Budget for Institute on Aging Grant

	FY 2019-20			FY 2020-21			
CLF Core Programs	Current Amount	Proposed Change	Proposed New Total	Current Amount	Proposed Change	Proposed New Total	**Total**
Salaries & Benefits	$1,802,030	($4,041)	$1,797,989	$1,845,350	$23,276	$1,868,626	$3,666,615
Operating Expense	282,001	37,867	319,868	281,513	0	281,513	601,381
HSA Overhead	312,605	5,075	317,679	319,029	3,492	322,521	640,200
Contractor Overhead	12,750	0	12,750	12,750	0	12,750	25,500
Capital Improvements	26,000	49,000	75,000	0	0	0	75,000
Other Operating Expense	443,881	20,474	464,355	465,956	46,003	511,959	976,314
Purchase of Services	1,655,992	280,000	1,935,992	1,681,992	280,000	1,961,992	3,897,984
Subtotal, Core Programs	**4,535,259**	**388,375**	**4,923,633**	**4,606,590**	**352,771**	**4,959,361**	**9,882,994**
Public Guardian Program[3]	350,000	0	350,000	350,000	0	350,000	**700,000**
HDAP Program[4]	261,664	0	261,664	0	0	0	261,664
Contingency	227,228	38,472	265,700	495,659	35,277	530,936	796,636
Total	**$5,374,151**	**$426,847**	**$5,800,997**	**$5,452,249**	**$388,048**	**$5,840,297**	**$11,641,294**

Source: HSA

Note: Total may not add due to rounding.

According to data provided by HSA, the proposed increase of $1,076,558 (see Exhibit 1) accounts for increase in program purchases,[5] adding additional Occupational Therapist staffing (0.26 FTE),[6] and budget for software upgrades and new equipment.

According to Mr. Kashani, the CLF program has experienced an increase in the number of referrals over the past 12 months. Mr. Kashani states that there are currently 24 clients waiting for an evaluation by an Occupational Therapist with an average of 105 days on the waitlist. Hiring a part-time Occupational Therapist is expected to reduce the time for clients on the waitlist.

Exhibit 3 below shows the funding sources for the proposed grant agreement with the Institute on Aging. Approximately 2 percent or $261,664 is State funding, 23 percent or $2,645,750 is federal funding, and 75 percent or $8,733,881 is General Fund.

[3] The Public Guardian Fund provides housing subsidies and limited purchases to assist Public Guardian conservatees/eligible clients who meet both CLF and Public Guardian criteria.

[4] The Housing and Disability Income Advocacy Program (HDAP) assists individuals with disabilities who are experiencing homelessness and are at risk of institutionalization.

[5] Examples of services that can be purchased through the CLF program are home care, assistive devices, home modifications, basic furnishings, transportation, legal assistance, and translation services. There are approximately 200 people receiving services through the CLF program on a monthly basis.

[6] The proposed grant modification would also reduce staffing by eliminating a Registered Nurse position and reducing a Regional Director position from 0.30 FTE to 0.15 FTE, which causes the total change Salaries & Benefits in FY 2019-20 to be negative.

Exhibit 3: Funding Sources for Institute on Aging Grant

Source	Amount	Percent
State	$261,644	2%
Federal	2,645,750	23%
General Fund	8,733,880	75%
Total	**$11,641,294**	**100%**

Source: HSA

RECOMMENDATIONS

1. Amend the proposed resolution to clarify that the total increase is $1,076,558, from $10,564,736 under the first amendment to $11,641,294 under the second amendment.
2. Approve the proposed resolution as amended.

Item 7 **File 20-0009**	**Department:** Real Estate

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would approve a lease between the City and 1275 SF LLC and Baskin Investment Group LLC, the joint owners of the property at 1275 Mission Street. The proposed resolution also would find that the proposed lease is consistent with the City's General Plan and eight priority policies of the Planning Code and that the lease is exempt from review under the California Environmental Quality Act (CEQA).

Key Points

- The City Administrator intends to co-locate the Digital Services and DataSF programs at 1275 Mission Street. Currently, Digital Services leases office space at 1231 Stevenson Street and has 29 staff. The program is adding 12 additional staff in the current fiscal year. DataSF has five positions working in City Hall. In order to accommodate the additional Digital Services staff, the City proposes to move the Digital Services and DataSF programs to a new location at 1275 Mission, which consists of approximately 8,750 square feet of office space, equivalent to approximately 190 square feet per staff for all 46 staff. The City's average square feet of office space per position is approximately 200.
- The proposed lease would have an initial term of six years and an annual base rent of $577,500, escalating 3 percent annually. The proposed lease also has two optional extensions at five years each. The base rent would reset at each extension to 95 percent of market rate and then escalate 3 percent annually.

Fiscal Impact

- The total rent for the initial six-year term is $3,687,382. In addition to rent expenses, the City must pay custodial and utility expenses, which are expected to total approximately $61,250 per year and, starting in year 2, insurance and taxes, which are expected to add $3,000 to the building's operating costs annually.
- All rent and building operating expenses would be paid from the General Fund allocation to the City Administrator budget.

Recommendations

- Amend the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend.
- Approve the proposed resolution, as amended.

MANDATE STATEMENT

City Charter Section 9.118(c) states that any lease, modification, amendment or termination of a lease that had an initial term of ten years or more, including options to extend, is subject to Board of Supervisors approval.

Administrative Code Section 23.27 states that the Board of Supervisors shall approve all leases on behalf of the City as tenant by resolution for which the term is longer than a year and costs over $15,000 per month. The Real Estate Division must obtain an appraisal of the fair market rent if the rent exceeds $45 per square foot per year and appraisal review if the rent exceeds $60 per square foot per year.

BACKGROUND

Digital Services and DataSF Office Relocation

Digital Services is a division of the City Administrator's Office responsible for improving the City's online services and currently leases office space at 1231 Stevenson Street. The program currently has 29 full time positions and is expected to expand to 41 full time positions in the next two to three months. The program currently leases 4,113 square feet of office space at 1231 Stevenson Street equivalent to approximately 102 square feet per position for 40 positions. DataSF is responsible for maintaining the City's public data catalogue and currently has five positions working in City Hall. The City Administrator plans to co-locate both programs at 1275 Mission Street.

According to Ms. Claudia Gorham, Deputy Managing Director of the Real Estate Division, the City's average square feet per position of this type is approximately 200. In order to accommodate the additional Digital Services staff, the City proposes to move the Digital Services and DataSF programs to a new location at 1275 Mission, which consists of approximately 8,750 square feet of office space, equivalent to approximately 190 square feet per staff for 46 staff. According to Ms. Gorham, a comparable building was not available to purchase that could accommodate Digital Services. The existing lease at 1231 Stevenson Street terminates once it is vacated by Digital Services.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would approve a lease between the City and 1275 SF LLC and Baskin Investment Group LLC, the joint owners of the property at 1275 Mission Street. The property is a two-story office building with a basement and is currently vacant.

The proposed resolution also would find that the proposed lease is consistent with the City's General Plan and eight priority policies of the Planning Code[1] and that the lease is exempt from

[1] The eight priority policies of the Planning Code are: (1) That existing neighborhood-serving retail uses be preserved and enhanced and future opportunities for resident employment in and ownership of such businesses enhanced; (2) That existing housing and neighborhood character be conserved and protected in order to preserve the cultural and economic diversity of our neighborhoods; (3) That the City's supply of affordable housing be preserved and enhanced; (4) That commuter traffic not impede Muni transit service or overburden our streets or

review under the California Environmental Quality Act (CEQA). In December 2019 the Planning Department found that the lease is exempt from CEQA review and that the project is consistent with the eight priority policies of the Planning Code.

Lease Terms

The proposed lease would have the following conditions:

Exhibit 1: Proposed Lease Terms for 1275 Mission

Landlord	1275 SF LLC and Baskin Investment Group LLC
Tenant	City
Initial Lease Term	Six years to approximately February 2026
Rentable Square feet	8,750
Base Rent, Initial Term	$577,500 ($66 per square foot)
Annual Rent Increase, Initial Term	3 percent
Options to Extend Term	Two options to extend, each by five years
Base Rent, Extended Term	95% of prevailing market rate of similar space in SoMA or initial base rent, whichever is higher
Annual Rent Increase, Extended Term	3 percent
Tenant Improvements	$5,000 Landlord's Allowance to City at any time during Initial Term
City Costs	Building operating expenses, including: elevator maintenance, fire safety, licenses, property management, interior repairs and maintenance, insurance, utilities, and janitorial expenses
Landlord Costs	Exterior repairs and maintenance; heating, air conditioning & ventilation, security system
Furniture	Landlord may lease existing furniture to City at a total not to exceed amount of $25,000

Source: Proposed Lease

In addition, the proposed lease requires the landlord to offer the City the right of first refusal if it puts the building up for sale.

FISCAL IMPACT

The lease provides a base rent of $48,125 per month for the first year. Annual rent adjustments at 3 percent thereafter through January 31, 2026. Exhibit 2 below summarizes the fiscal impact of the initial term of the proposed lease.

neighborhood parking; (5) That a diverse economic base be maintained by protecting our industrial and service sectors from displacement due to commercial office development, and that future opportunities for resident employment and ownership in these sectors be enhanced; (6) That the City achieve the greatest possible preparedness to protect against injury and loss of life in an earthquake; (7) That landmarks and historic buildings be preserved; and, (8) That our parks and open space and their access to sunlight and vistas be protected from development.

Exhibit 2: Annual Rent Under Proposed Lease for 1275 Mission Street

Year 1	Year 2	Year 3	Year 4	Year 5	Year 6	Total
$529,375	$594,825	$612,670	$631,050	$649,981	$669,481	**$3,687,382**

Source: Proposed Lease for 1275 Mission Street

The proposed rent of $66 per square foot per year in the first year of the lease is consistent with the appraisal and appraisal review that were completed by independent third-party appraisers contracted by the Real Estate Division, as required by Administrative Code Section 23.27.

In addition to rent expenses, as noted above in Exhibit 1 above, the proposed lease requires the City to pay for services (custodial) and utilities (electric, gas, water, sewer) and, starting in year 2 of the proposed lease, insurance and taxes. The landlord will be providing a security card access system and heating and air ventilation. According to Ms. Gorham, utilities and janitorial costs are expected to be $61,250 per year, increasing by approximately $3,000 annually once insurance and taxes are factored in. In addition, the City plans to use the landlord's existing office furniture at a total one-time cost of $25,000 for the term of the lease, including extensions. According to data provided by the Real Estate Division, this is approximately $38,388 less than the total cost of purchasing furniture for new staff.[2]

According to Ms. Gorham, the proposed Base Rent and operating costs for the initial term of the lease would be made using General Fund monies in the City Administrator budget.

Lease Extension

If the City exercises its option to extend the initial lease term, the rent would be 95 percent of the prevailing market rate for office space in the SoMA neighborhood. If the City and the landlord do not agree on the market rate value, each may obtain an appraisal to determine the prevailing market rate for similar space. If the appraisals have a difference of less than ten percent of value, the proposed lease requires that the new rent be an average of the two appraisals. If the appraisals are greater than 10 percent different in their estimates of market rate, then the appraisers must agree on a third appraiser and an average two of the three appraised values will set the new base rent.

According to the proposed resolution, the Board of Supervisors authorizes the Director of Property to enter into any extensions, amendments, or modifications to the lease without further Board of Supervisors approval. Because the lease could extend for an additional 10 years after the expiration of the original term in approximately February 2026, with the rent being adjusted to 95 percent of fair market value, the Budget and Legislative Analyst recommends amending the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend, consistent City Charter Section 9.118(c) noted above.

[2] According to the Real Estate Division, the furniture cost per current Digital Service employee was approximately $2,756 when they moved into their current space. $2,756 x 22 (17 new FTE plus 5 more desks for current FTE without desks) = $63,388 new furniture costs, which is $38,388 greater than the $25,000 cost for renting the existing furniture at the new space under the proposed lease, which is sufficient for all 46 Digital Service and DataSF staff.

RECOMMENDATIONS

1. Amend the proposed resolution to have the Director of Real Estate submit a resolution to the Board of Supervisors approving the option to extend the lease prior to exercising each of the two options to extend.
2. Approve the proposed resolution, as amended.

Item 9 File 20-0008	Department: Controller's Office (Controller)

EXECUTIVE SUMMARY

Legislative Objectives

- The proposed resolution would establish the City's FY 2019-20 appropriations limit at $5,528,830,486, as calculated by the Controller. The appropriations limit for FY 2019-20 is based on the amount of the FY 2018-19 appropriations limit and adjusted to reflect increases in (1) the population and (2) cost of living (calculated using the increase in the local assessment roll due to the addition of non-residential new construction).

Key Points

- The California Constitution places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living. There are two definitions that local governments may use to calculate the cost of living adjustment: (1) the change in California per capita personal income, or (2) the change in the local assessment roll due to the addition of non-residential new construction. The City is allowed to choose whichever percentage change is higher. In FY 2018-19, the growth in personal income was 3.85 percent and the roll growth due to new nonresidential construction was 23.65 percent. Consequently, the Controller's Office is using the non-residential construction for the cost of living factor to calculate the appropriations limit.

Fiscal Impact

- The appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) federal mandates for Social Security and Medicare, and (c) qualified capital outlays. Consequently, the Controller excluded $806,528,808 from the City's total FY 2019-20 tax proceeds of $4,879,698,132, resulting in net tax proceeds subject to the appropriations limit of $4,073,169,324.
- The City's FY 2019-20 appropriation limit, as calculated by the Controller, is $5,528,830,486. The FY 2019-20 net tax proceeds of $4,073,169,324 are $1,455,661,162 less than the FY 2019-20 appropriation limit of $5,528,830,486.

Policy Consideration

- For the FY 2019-20 appropriations limit, the Controller elected to use the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction to calculate the cost of living adjustment, consequently calculating the appropriations limit at $5,528,830,486. Had the Controller elected to use the percentage change in per-capita personal income from the preceding year, the appropriations limit would have been calculated at $4,665,807,105

Recommendation

- Approve the proposed resolution.

MANDATE STATEMENT

California Constitution Article XIIIB states that each local government must set an annual appropriation limit as calculated using the preceding year's appropriations limit adjusted for (1) the change in population and (2) the change in the cost of living.

BACKGROUND

Proposition 4, known as the Gann Initiative and approved by California voters in November 1979, added Article XIIIB to the California Constitution. Article XIIIB (later amended by State Proposition 111, as approved by the voters in June of 1990) places annual limits on the appropriations of tax proceeds made by the State, school districts, and local governments in California. The annual appropriations limit is based on the appropriations limit for the preceding fiscal year and adjusted for (1) the change in population, and (2) the change in the cost of living.

Per Article XIIIB Section 9 and California Government Code Section 7901, the appropriations limit does not apply to any tax proceeds appropriated for (a) debt service, (b) federal mandates for Social Security and Medicare, (c) qualified capital outlays, and (d) other federal mandates.

California Government Code Section 7901(b) defines the change in population as the population growth for the calendar year preceding the beginning of the fiscal year for which the appropriations limit is to be determined. According to the California Department of Finance, in calendar year 2018, San Francisco's population growth was 0.33 percent.

California Constitution Article XIIIB Section 8(e)2 allows the local government to use one of the two following definitions to calculate the cost of living adjustment:

> **Definition 1:** The percentage change in California per-capita personal income from the preceding year, estimated to be 3.85 percent in FY 2018-19, or
>
> **Definition 2:** The percentage change for the local jurisdiction in the assessment roll from the preceding year due to non-residential new construction, estimated to be 23.65 percent in FY 2018-19.

DETAILS OF PROPOSED LEGISLATION

The proposed resolution would establish the City's FY 2019-20 appropriations limit at $5,528,830,486, as calculated by the Controller. The appropriations limit for FY 2019-20 is based on the amount of the FY 2018-19 appropriations limit and adjusted to reflect increases in (1) the population and (2) cost of living (calculated using the increase in the local assessment roll due to the addition of non-residential new construction).

FISCAL IMPACT

Cost of Living Factor

Cost of living 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. According to the Controller's Office, the City is allowed to choose whichever percentage change is higher.

As mentioned above, in FY 2018-19, the growth in personal income was 3.85 percent and the roll growth due to new nonresidential construction was 23.65 percent. Consequently, the Controller's Office is using the non-residential construction for the cost of living factor to calculate the appropriations limit.

Fiscal Impact

As mentioned above, the appropriations limit does not apply to tax proceeds appropriated for: (a) debt service, (b) federal mandates for Social Security and Medicare, and (c) qualified capital outlays. Consequently, the Controller excluded $806,528,808 from the City's total FY 2019-20 tax proceeds of $4,879,698,132, as shown in Table 1 below, resulting in net tax proceeds subject to the appropriations limit of $4,073,169,324.

Table 1: Estimated Tax Proceeds Subject to the Proposed Appropriations Limit

FY 2019-20 Estimated Total Tax Proceeds*	**$4,879,698,132**
Exclusions	
(a) Debt Service	(465,571,452)
(b) Federal Mandate for Social Security/Medicare	(118,194,234)
(c) Qualified Capital Outlays	(222,763,122)
Subtotal Exclusions	(806,528,808)
FY 2019-20 Net Tax Proceeds Subject to Appropriations Limit	**$4,073,169,324**

*Includes property taxes, excess Education Revenue Augmentation Fund revenues, business taxes, other local taxes, and interest

Section 4 of Article XIIIB provides that the appropriations limit may be changed by the voters for up to four years. In November 2016, the voters approved two measures that included increases to the appropriations limit: The Soda and Sugary Sweetened Beverages Tax (Proposition V) and the Real Estate Transfer Tax (Proposition W). In November 2018, the voters approved the measure on the Cannabis Business Tax Increase (Proposition D). In November 2019, voters approved the Traffic Congestion Mitigation Tax (Proposition D). These voter-approved measures increased the appropriations limit by the aggregate sum collected from these taxes. The Controller found that the adjustment was equal to approximately $139,717,381. After FY 2019-20, the voter-approved overrides for the Sugary Sweetened Beverages Tax and the Real Estate Transfer Tax expire. In FY 2020-21, the Controller estimates that the total voter override from the remaining taxes will fall to approximately $55.3 million.

In June 2018, voters approved the Commercial Rent Tax for Childcare and Early Education (Proposition C) and a City parcel tax for the benefit of the San Francisco Unified School District (Proposition G). In November 2018, voters approved the Our City, Our Home Tax for homelessness services (Proposition C). All three measures included temporary overrides to raise the appropriations limit. However, these measures are currently in litigation and consequently, the City is collecting but not recognizing any revenue. When the revenue from these taxes is recognized, it will be included as proceeds of taxes for the appropriations limit. The voter-approved override for these taxes cannot extend longer than four years from the date the measures were approved, regardless of when the revenue is recognized.

As shown on Table 2 below, the City's FY 2019-20 appropriation limit, as calculated by the Controller, is $5,528,830,486. The FY 2019-20 net tax proceeds of $4,073,169,324 shown in Table 1 above are $1,455,661,162 less than the FY 2019-20 appropriation limit of $5,528,830,486.

Table 2: Proposed FY 2019-20 Appropriations Limit

FY 2018-19 Appropriations Limit	**$4,343,960,284**
Adjustment Factors [a]	
Increase in Population	0.33%
Roll Growth Due to New Nonresidential Construction	23.6519%
Subtotal	**$5,389,113,105**
Voter approved limit changes	**139,717,381**
FY 2019-20 Appropriations Limit [a]	**$5,528,830,486**

Source: Controller's Office

[a] The annual appropriations limit is a formula set by the California Constitution. The Controller calculated the FY 2019-20 appropriations limit based on the increase in the City's population and the increase in the local assessment roll from the preceding year for the jurisdiction due to the addition of local nonresidential new construction as follows: $4,343,960,284 x 1.0033 x 1.236519. This added to the voter approved limit changes of $139,717,381 equals $5,528,830,486. (Note that calculations are not exact but estimates because of rounding numbers).

POLICY CONSIDERATION

As noted above, the Controller has discretion to calculate the cost of living adjustment factor using one of two following definitions:

Definition 1: The percentage change in California per-capita personal income from the preceding year, estimated to be 3.85 percent in FY 2018-19, or

Definition 2: The percentage change for the local jurisdiction in the assessment roll from the preceding year due to local non-residential new construction, estimated to be 23.65 percent in FY 2018-19.

Table 3 below shows the FY 2019-20 appropriations limit using both definitions.

Table 3: FY 2019-20 Appropriations Limit by Definition

	Definition 1 **Per-Capita Personal Income**	**Definition 2** **Local Assessment Roll from Non-Residential New Construction**
FY 2018-19 Appropriations Limit	**$4,343,960,284**	**$4,343,960,284**
Adjustment Factors		
Increase in Population	0.33%	0.33%
Increase in Per-Capita Personal Income	3.85%	-
Increase in Local Assessment Roll	-	23.6519%
Subtotal	$4,526,089,724	$5,389,113,105
Voter Approved	139,717,381	139,717,381
FY 2019-20 Appropriations Limit	**$4,665,807,105**	**$5,528,830,486**

For the FY 2019-20 appropriations limit, the Controller elected to use the percentage change in the local assessment roll from the preceding year due to the addition of local nonresidential new construction to calculate the cost of living adjustment, consequently calculating the appropriations limit at $5,528,830,486, as shown in Table 2 above. Had the Controller elected to use the percentage change in per-capita personal income from the preceding year, the appropriations limit, as shown in Table 3 above, would have been calculated at $4,665,807,105, which is (a) $863,023,381 less than the proposed appropriations limit of $5,528,830,486 and (b) $592,637,781 more than the Controller's estimate of net tax proceeds subject to the appropriations limit of $4,073,169,324, as shown in Table 1 above.

RECOMMENDATION

Approve the proposed resolution.