

FY 2012 GANN LIMIT

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2003 to 2012**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit ⁽²⁾
2003	1.1138	X	1.0180 = 1.1338	\$684,004,095
2004	1.1113	X	1.0172 = 1.1304	\$773,224,963
2005	1.0885	X	1.0152 = 1.1050	\$854,441,087
2006	1.0837	X	1.0127 = 1.0975	\$937,726,649
2007	1.0435	X	1.0094 = 1.0533	\$987,756,891
2008	1.0519	X	1.0122 = 1.0647	\$1,051,667,005
2009	1.1083	X	1.0134 = 1.1232	\$1,181,182,812
2010	1.1606	X	1.0154 = 1.1785	\$1,392,023,944
2011	0.9746	X	1.0141 = 0.9883	\$1,375,737,264
2012	1.0251	X	1.0077 = 1.0330	\$1,421,136,594

- (1) In 1980, the State Legislature added Division 9 to Title I of the Government Code to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish a tax appropriations limit on or before June 30 of each year for the following fiscal year, pursuant to which the City of San Diego has been establishing this limit since 1981.
- (2) Beginning in Fiscal Year 2009, the calculation to determine the Gann Limit is based on the City's new non-residential assessed valuation data. From Fiscal Year 2004 through 2008, the County's data was used. This change does not affect the City's compliance with the Tax Appropriations Limit in prior years. This table shows the corrected price adjustments and appropriations limits based on City data. Appropriation limits shown for 2004 – 2008 are corrected amounts based on City data.

ALTERNATIVE ADJUSTMENT FACTORS

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculating the Fiscal Year 2012 adjustment are as follows:

Price Factors:

- (A) Percent growth in State per Capita Personal Income: 2.51%
(Source: Dept of Finance, California-Attachment 2A-2)

Price Factor A 1.0251

- (B) Percent change in Assessed Valuation in new non-residential construction: -16.82%
(Source: San Diego County Assessor's Office-Attachment 2B)

Price Factor B 0.8318

Population Factors:

- (C) Percent growth in County Population: +0.72%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor C 1.0072

- (D) Percent growth in City Population: +0.77%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor D 1.0077

Annual Adjustment Factors:

Based upon the actual data, the four alternative adjustment factors are as follows:

$$(A \times C) = (1.0251) \times (1.0072) = 1.0325$$

$$(A \times D) = (1.0251) \times (1.0077) = 1.0330 \text{ (rounded to 4 decimal places)}$$

$$(B \times C) = (0.8318) \times (1.0072) = 0.8378$$

$$(B \times D) = (0.8318) \times (1.0077) = 0.8382$$

The recommended limit was calculated using the adjustment factor “(A x D)”, resulting in a 1.03% increase to the annual Tax Appropriations Limit. Of the 4 adjustment factors above, 1.03% represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2012 Limit:

$$\begin{aligned} \text{Fiscal Year 2012 Limit} &= (\text{FY 2011 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$1,375,737,264) \times (1.0330) = \mathbf{\$1,421,136,594} \end{aligned}$$



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May 2011

Dear Fiscal Officer:

Subject: Price and Population Information**Appropriations Limit**

The California Revenue and Taxation Code, Section 2227, mandates the Department of Finance (Finance) to transmit an estimate of the percentage change in population to local governments. Each local jurisdiction must use their percentage change in population factor for January 1, 2011, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2011-2012. Enclosure I provides the change in California's per capita personal income and an example for utilizing the price factor and population percentage change factor to calculate the 2011-2012 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county's and incorporated area's summed population percentage changes. The population percentage change data excludes federal and state institutionalized populations and military populations.

Population Percent Change for Special Districts

Some special districts must establish an annual appropriations limit. Consult the Revenue and Taxation Code, Section 2228 for further information regarding the appropriation limit. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check box: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "http://www.leginfo.ca.gov/const/article_13B" for additional information. Special districts required by law to calculate their appropriations limit must present the calculation as part of their annual audit. Any questions special districts have on this issue should be referred to their respective county for clarification, or to their legal representation, or to the law itself. No State agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. The Federal 2010 Census population counts for cities and counties have been certified to the State Controller's Office. Revenue and Taxation Code Section 11005.6 mandates Finance to automatically certify any population estimate that exceeds the current certified population with the State Controller's Office. **Finance will certify the higher estimate to the State Controller by June 1, 2011.**

Please Note: The population estimates provided in this report incorporate 2010 Census numbers as benchmarks. Therefore, the population estimates for 2010 and 2011 published in this report for your jurisdiction may be noticeably different from the previous year estimates.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

May 2011

Enclosure I

- A. **Price Factor:** Article XIII B specifies that local jurisdictions select their cost-of-living factor to compute their appropriation limit by a vote of their governing body. The cost-of-living factor provided here is per capita personal income. If the percentage change in per capita personal income is selected, the percentage change to be used in setting the 2011-2012 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2011-2012	2.51

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2011-2012 appropriation limit.

2011-2012:

Per Capita Cost of Living Change = 2.51 percent

Population Change = 0.77 percent

Per Capita Cost of Living converted to a ratio: $\frac{2.51 + 100}{100} = 1.0251$

Population converted to a ratio: $\frac{0.77 + 100}{100} = 1.0077$

Calculation of factor for FY 2011-2012:

$$1.0251 \times 1.0077 = 1.0330$$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2010 to January 1, 2011 and Total Population, January 1, 2011

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2010-2011	1-1-10	1-1-11	1-1-2011
San Diego				
Carlsbad	1.07	105,432	106,555	106,555
Chula Vista	0.90	244,003	246,208	246,496
Coronado	0.39	16,779	16,845	23,011
Del Mar	0.46	4,168	4,187	4,187
El Cajon	0.43	99,684	100,116	100,116
Encinitas	0.47	59,628	59,910	59,910
Escondido	0.74	144,125	145,196	145,196
Imperial Beach	0.35	26,367	26,459	26,459
La Mesa	1.50	57,184	58,041	58,041
Lemon Grove	0.43	25,370	25,478	25,478
National City	0.40	57,172	57,399	58,785
Oceanside	0.56	167,241	168,173	168,173
Poway	0.53	47,903	48,155	48,155
San Diego	0.77	1,290,389	1,300,280	1,311,882
San Marcos	0.99	83,900	84,734	84,734
Santee	1.36	53,456	54,183	54,183
Solana Beach	0.38	12,896	12,945	12,945
Vista	0.44	94,020	94,431	94,431
Unincorporated	0.54	435,448	437,794	490,139
County Total	0.72	3,025,165	3,047,089	3,118,876

(*) Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

2012 ADJUSTMENT FACTORS

PRICE FACTOR (A)	
Percent growth in State Per Capita Personal Income (2011-2012) Price Factor = 2.51	
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (A) = (C5+ 100)/100 A = 1.0251	

PRICE FACTOR (B)			
	Total Assessed Valuation	Change in AV	New non-residential construction
2009	\$177,064,167,663		
2010	\$174,779,935,800	(\$2,284,231,863)	\$384,125,229
Price Factor = New non-residential construction/Change in AV *100 -16.8164 Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100 Adjustment Factor (B) = (C18+ 100)/100 B = 0.8318			

POPULATION FACTOR (C)	
Percent growth in County Population = 0.72	
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (C) = (C27+ 100) / 100 C = 1.0072	

POPULATION FACTOR (D)	
Percent growth in City Population = 0.77	
Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100 Adjustment Factor (D) = (C35 + 100) /100 D = 1.0077	

ANNUAL ADJUSTMENT FACTORS	
(A x C) Income x Cnty Pop	1.0325
(A x D) Income x City Pop	1.0330
(B x C) Non-residential x Cnty Pop	0.8378
(B x D) Non-residential x City Pop	0.8382

High Value
Low Value

FY 2011 GANN Limit	'1'	\$1,375,737,264
Annual Adjustment factor	'2'	1.0330
FY 2012 GANN Limit	'1x2'	\$1,421,136,594

**ASSESSED VALUATION ATTRIBUTABLE TO
NEW NON-RESIDENTIAL CONSTRUCTION**

Percent change in Assessed Valuation in new non-residential construction within the City

$$\begin{aligned}
 &= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2009 to CY 2010)}^2} + 1 \\
 &= \frac{\$384,125,299}{(\$2,284,231,863)} + 1 \\
 &= (0.1682) + 1 \\
 &= (83.18\%)
 \end{aligned}$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2009 = \$177,064,167,663

Assessed Valuation for Calendar Year 2010 = \$174,779,935,800

Change in Assessed Valuation = Assessed Valuation for 2010 - Assessed Valuation for 2009

= \$177,064,167,663 - \$174,779,935,800

= (\$2,284,231,863)

FY 2012 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT

Appropriations Subject to the Gann Limit *			
Property Tax		\$	380,908,544
Property Tax (1)			8,132,589
Sales Tax			209,529,835
Safety Sales Tax			6,650,317
Transient Occupancy Tax (TOT)			142,775,490
Property Transfer Tax			5,147,851
Business Tax			6,388,129
Rental Unit Taxes			5,425,000
Vehicle License Fee (2)			3,264,364
Interest Earnings			1,888,098
Total Unadjusted Appropriations subject to the Limit	[A]	\$	770,110,217
Adjustment for appropriations not subject to the Gann Limit *			
<u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>			
1991 Public Safety Communication Bonds (3)		\$	2,314,480
Total Annual Debt Service for Voter Approved Debt	[B]	\$	2,314,480
<u>Qualified Capital Outlays</u>			
1998 Convention Center Expansion Lease Revenue Bonds (4)			9,200,688
2002B Fire and Life Safety Facilities Project Phase I			1,629,325
2003 City/MTDB Refunding Bonds – Old Town Light Rail Transit Extension			1,153,574
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation			757,844
2007A Ballpark Refunding Bonds (5)			-
1996B Balboa Park/Mission Bay Park Refunding Certificates of Participation (6)			925,475
2009A Deferred CIP Bonds (6)			7,353,769
Total Qualified Capital Outlays	[C]	\$	21,020,675
Total Adjustment	[D = B+C]	\$	23,335,155
Total Adjusted Appropriations subject to the limit	[E = A-D]	\$	746,775,062
Calculation of the Gann Limit and the Gap			
Prior Year (FY 2011) Gann Limit	[F]	\$	1,375,737,264
Adjustment Factor	[G]		1.0330
Gann Limit for FY 2012	[H = F*G]	\$	1,421,136,594
Projected appropriations are below the limit by:	[I = H-E]	\$	674,361,532

(1) Ad Valorem Tax imposed for Zoological Exhibits (\$8,018,590) & Public Safety Communication Bonds (\$113,999).

(2) Revenues from Motor Vehicle License Fees are revenues from the State and are subject to the limit.

(3) The annual debt service for the Public Safety bonds is not subject to the limit as it is a voter approved debt.

(4) \$4.5 million, the annual amount paid by the Port Authority, has been deducted from the total debt service. Agreement ends in FY 2015.

(5) The City of San Diego and the City's Redevelopment Agency agreed to have debt service paid on outstanding PETCO financing bonds by the Redevelopment Agency per City Resolution #R-306598 and Redevelopment Agency Resolution #R-04606.

(6) Listed as 2010A Master Refunding Bonds in the FY 2012 Proposed Budget, Volume I. The 1996A Qualcomm Stadium Bonds included in the 2010A Master refunding Bonds are not calculated into qualified capital outlays due to debt service bonds being paid for by stadium revenue.

* Source: FY 2012 Proposed Budget and FY 2012 May Revise Memorandum.