FISCAL YEAR 2016 TAX APPROPRIATIONS LIMIT

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Executive Summary

In November 1979, California voters approved Proposition 4 (the Gann Initiative) and added Article XIIIB to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIIIB. This legislation required the governing body of each local jurisdiction in California to establish a Tax Appropriations Limit (also referred to as the GANN Limit) on or before June 30 of each year for the following fiscal year. The Tax Appropriations Limit is based on actual appropriations during the State of California Fiscal Year 1978-79 and adjusted each year using population and inflation adjustment factors.

On June 5, 1990, California voters approved Proposition 111, amending Article XIIIB. Proposition 111 allows local jurisdictions to choose among measures of inflation and population growth to compute the adjustment factor. The measures for inflation (price factors) include growth in California per capita income or growth in the City's gross assessed valuation due to new non-residential construction; while measures for population growth include population growth within the county or city.

The proposed Tax Appropriations Limit for Fiscal Year 2016 is $2,101,916,808. In accordance with Proposition 111 guidelines, the Fiscal Year 2016 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. See Page 2 for alternative adjustment factors applicable to Fiscal Year 2016. The recommended Fiscal Year 2016 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (7.2%) and the population factor based on the percent growth in the City's population (1.61%), resulting in an adjustment factor of 1.0893 (see page 2). The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2016 of $2,101,916,808, a 8.9% increase over the Fiscal Year 2015 Tax Appropriations Limit of $1,929,603,239.

The Tax Appropriations Limit does not apply to all City revenues, or all General Fund revenues, but only to proceeds of taxes including property tax, sales tax, transient occupancy tax, motor vehicle license fees, and other local taxes, less the amount paid in debt service on both voter approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or exceeds $100,000). Other revenues, including fees, licenses and permits, rents and concessions, and inter-fund transfers are not subject to the limit. The Fiscal Year 2016 Proposed Budget projects the tax appropriations subject to the Tax Appropriations Limit to be $946.4 million, as outlined in Page 4. The projected appropriations subject to the limit are estimated to be approximately $1.2 billion below the recommended limit of $2,101,916,808.

FY 2016 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT

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 2016 adjustment are as follows:

Price Factors:

(A)	Percent growth in State per Capita Personal Income: (Source: Dept of Finance, California-Attachment 2A-2)	+3.82%
	Price Factor A	**1.0382**

(B)	Percent change in Assessed Valuation in new non-residential construction: (Source: San Diego County Assessor's Office-Attachment 2B)	+7.20%
	Price Factor B	**1.0720**

Population Factors:

(C)	Percent growth in County Population: (Source: Dept of Finance, California-Attachment 2A-3)	+1.18%
	Population Factor C	**1.0118**

(D)	Percent growth in City Population: (Source: Dept of Finance, California-Attachment 2A-3)	+1.61%
	Population Factor D	**1.0161**

Annual Adjustment Factors:

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

$$(A \times C) = (1.0382) \times (1.0118) = 1.0505$$

$$(A \times D) = (1.0382) \times (1.0161) = 1.0549$$

$$(B \times C) = (1.0720) \times (1.0118) = 1.0846$$

(B x D) = (1.0720) x (1.0161) = 1.0893 (rounded to 4 decimal places)

The recommended limit was calculated using the adjustment factor "(B x D)", resulting in a 8.9% increase over the Fiscal Year 2015 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.0893 adjustment factor represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2016 Limit:

Fiscal Year 2016 Limit = (FY 2015 Limit) x (Recommended Adjustment Factor)
= ($1,929,603,239) x (1.0893) = **$2,101,916,808**

FY 2016 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT

PRICE FACTOR (A)

Percent growth in State Per Capita Personal Income
(2015-2016)
Price Factor = 3.82

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100
Adjustment Factor (A) = (3.82 + 100)/100

A = 1.0382

PRICE FACTOR (B)

	Total Assessed Valuation	Change in AV	New non-residential construction
2013	$182,988,596,153		
2014	$194,385,175,886	$11,396,579,733	$820,678,706

Price Factor = New non-residential construction/Change in AV *100
7.20
Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100
Adjustment Factor (B) = (7.20 + 100)/100

B = 1.0720

POPULATION FACTOR (C)

Percent growth in County Population = 1.18

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100
Adjustment Factor (C) = (1.18 + 100) / 100)

C = 1.0118

POPULATION FACTOR (D)

Percent growth in City Population = 1.61

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100
Adjustment Factor (D) = (1.61 + 100) /100

D = 1.0161

ANNUAL ADJUSTMENT FACTORS

(A x C) Income x Cnty Pop	**1.0505**	Low Value
(A x D) Income x City Pop	**1.0549**	
(B x C) Non-residential x Cnty Pop	**1.0846**	
(B x D) Non-residential x City Pop	**1.0893**	High Value

FY 2015 Tax Appropriations Limit	**'1'**	$1,929,603,239
Annual Adjustment factor	**'2'**	1.0893
FY 2016 Tax Appropriations Limit	**'1x2'**	$2,101,916,808

FY 2016 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT

Appropriations Subject to the Tax Appropriations Limit *			
Property Tax		$	470,068,579
Property Tax (1)			11,777,761
Sales Tax			285,770,943
Safety Sales Tax			9,159,111
Transient Occupancy Tax (TOT)			195,040,104
Property Transfer Tax			8,371,562
Business Tax			7,577,368
Rental Unit Taxes			7,271,794
Interest Earnings			462,262
Total Unadjusted Appropriations subject to the Limit	**[A]**	**$**	**995,499,484**

Adjustment for appropriations not subject to the Tax Appropriations Limit *			
Annual Debt Service for Voter Approved Debt (G.O. Bonds)			
Total Annual Debt Service for Voter Approved Debt (2)	**[B]**	**$**	**-**
Qualified Capital Outlays			
2012A Convention Center Expansion Financing Authority Lease Revenue Refunding Bonds			12,563,450
2012B Fire and Life Safety Refunding Bonds			1,380,369
2013A General Fund CIP Bonds & 2003 Old Town Light Rail Extension Refunding			3,217,281
2013B 2003 Balboa Park/Mission Bay Park Refunding Bonds			740,575
2007A Ballpark Refunding Bonds (3)			11,319,000
2010A Master Refunding Bonds (4)			8,254,675
2012A Deferred CIP Lease Revenue Bonds			4,594,775
2014A&B General Fund CIP Bonds			7,000,000
Total Qualified Capital Outlays	**[C]**	**$**	**49,070,125**
Total Adjustment	**[D = B+C]**	**$**	**49,070,125**
Total Adjusted Appropriations Subject to the Limit	**[E = A-D]**	**$**	**946,429,359**

Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit			
Prior Year (FY 2015) Tax Appropriations Limit	**[F]**	**$**	**1,929,603,239**
Adjustment Factor	**[G]**		**1.0893**
Tax Appropriations Limit for FY 2016	**[H = F*G]**	**$**	**2,101,916,808**
Projected appropriations are below the limit by:	**[I = H-E]**	**$**	**1,155,487,449**

(1) Ad Valorem Tax imposed for Zoological Exhibits ($11,777,761).
(2) No Annual Debt Service for Voter Approved Debt in FY 2016.
(3) As a result of the dissolution of the Redevelopment Agency, the 2007A Ballpark Refunding Bonds debt service payment will be paid from Transient Occupancy Tax revenue.
(4) The 2010A Master Refunding Bonds refunded the 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding COPs and the 1996A Qualcomm Stadium Bonds. Payment listed as $13,000,794 (FY 2016 Proposed Budget, Volume I: Budget Overview and Schedules, Debt Obligations section, page 132) and includes $4,746,119 for Qualcomm Stadium capital outlay debt payment.
* Source: FY 2016 Proposed Budget and FY 2016 May Revise Budget Memorandum.

TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS [1]
FOR FISCAL YEARS 2007 to 2016

Fiscal Year	Price Adjustment		Population Adjustment		Total Adjustment	Appropriations Limit [2]
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
2013	1.1336	X	1.0091	=	1.1439	$1,625,638,150
2014	1.0512	X	1.0083	=	1.0599	$1,723,013,875
2015	1.1056	X	1.0129	=	1.1199	$1,929,603,239
2016	1.0720	X	1.0161	=	1.0893	$2,101,916,808

(1) In 1980, the State Legislature added Division 9 to Title I of the Government Code to implement Article XIIIB. 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 2007 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 2007 – 2008 are corrected amounts based on City data.

DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2015

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, 2015, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2015-16. Attachment A 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 2015-16 appropriations limit. Attachment B provides city and unincorporated county population percentage change. Attachment C provides population percentage change for counties and their summed incorporated areas. 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 appropriations limit. Article XIII B, section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. The Code and the California Constitution can be accessed at the following website: http://leginfo.legislature.ca.gov/faces/codes.xhtml.

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. 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, 2015**.

Please Note: Prior year's city population estimates may be revised.

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

MICHAEL COHEN
Director
By:

KEELY M. BOSLER
Chief Deputy Director

Attachment

May 2015

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 fiscal year 2015-16 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2015-16	3.82

B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2015-16 appropriation limit.

2015-16:

Per Capita Cost of Living Change = 3.82 percent
Population Change = 0.93 percent

Per Capita Cost of Living converted to a ratio: $\dfrac{3.82 + 100}{100} = 1.0382$

Population converted to a ratio: $\dfrac{0.93 + 100}{100} = 1.0093$

Calculation of factor for FY 2015-16:

$$1.0382 \times 1.0093 = 1.0479$$

Fiscal Year 2015-16

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2014 to January 1, 2015 and Total Population, January 1, 2015

County City	Percent Change 2014-2015	--- Population Minus Exclusions --- 1-1-14	 1-1-15	Total Population 1-1-2015
San Diego				
Carlsbad	0.69	109,900	110,653	110,653
Chula Vista	1.06	255,282	257,989	257,989
Coronado	0.47	16,538	16,616	23,497
Del Mar	0.40	4,221	4,238	4,238
El Cajon	0.44	101,003	101,444	101,444
Encinitas	0.78	61,042	61,518	61,518
Escondido	0.38	146,742	147,294	147,294
Imperial Beach	-1.22	26,603	26,278	26,761
La Mesa	0.34	58,615	58,813	58,813
Lemon Grove	1.33	25,856	26,199	26,199
National City	1.09	54,289	54,881	59,827
Oceanside	0.52	170,791	171,682	171,682
Poway	0.40	48,847	49,041	49,041
San Diego	1.61	1,328,602	1,350,049	1,368,061
San Marcos	0.98	89,946	90,827	90,827
Santee	0.26	55,658	55,805	55,805
Solana Beach	0.34	13,059	13,104	13,104
Vista	0.56	95,877	96,413	96,413
Unincorporated	1.48	456,121	462,860	504,330
County Total	1.18	3,118,992	3,155,704	3,227,496

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

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

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

$$= \frac{\text{New non-residential construction}[1]}{\text{Change in assessed valuation (CY 2013 to CY 2014)}[2]} \ \text{X} \ 100$$

$$= \frac{\$820,678,706}{\$11,396,579,733} \ \text{X} \ 100$$

$$= 0.0720 \ \text{X} \ 100$$

$$= 7.20\%$$

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[1] Source: San Diego County Assessor's Office
[2] Source: San Diego County Assessor's Office
Assessed Valuation for Calendar Year 2013 = $182,988,596,153
Assessed Valuation for Calendar Year 2014 = $194,385,175,886
Change in Assessed Valuation = Assessed Valuation for 2014 - Assessed Valuation for 2013
= $194,385,175,886 - $182,988,596,153
= $11,396,579,733