

FY 2010 GANN LIMIT

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2001 to 2010**

Fiscal Year	Price Adjustment	Population Adjustment	Total Adjustment	Appropriations Limit ⁽²⁾
2001	1.0491	X	1.0215 = 1.0717	\$548,766,362
2002	1.0782	X	1.0196 = 1.0993	\$603,258,862
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

- (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 2010 adjustment are as follows:

Price Factor:

- | | | |
|-----|--|---------|
| (A) | Percent growth in State per Capita Personal Income:
<small>(Source: Dept of Finance, California-Attachment 2A-2)</small> | +0.62% |
| (B) | Percent change in Assessed Valuation due to new non-residential construction:
<small>(Source: San Diego County Assessor's Office-Attachment 2B)</small> | +16.06% |

Population Factor:

- | | | |
|-----|--|--------|
| (C) | Percent growth in County Population:
<small>(Source: Dept of Finance, California-Attachment 2A-3)</small> | +1.26% |
| (D) | Percent growth in City Population:
<small>(Source: Same as 'C' above)</small> | +1.54% |

Annual Adjustment Factors:

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

$(A \times C) = (1.0062) \times (1.0126) =$		1.0189
$(A \times D) = (1.0062) \times (1.0154) =$		1.0217
$(B \times C) = (1.1606) \times (1.0126) =$		1.1753
$(B \times D) = (1.1606) \times (1.0154) =$		1.1785 (rounded to 4 decimal places)

The recommended limit was calculated using the adjustment factor “(B x D)”, resulting in a 17.85% increase to the annual Tax Appropriations Limit. Of the 4 adjustment factors above, 17.85% represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 10 Limit:

$$\begin{aligned} \text{Fiscal Year 2010 Limit} &= (\text{FY 2009 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$1,181,182,812) \times (1.1785) = \mathbf{\$1,392,023,944} \end{aligned}$$



May 2009

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, 2009, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2009-2010. 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 2009-2010 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas 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. 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, 2009.**

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 C. GENEST
Director
By:

ANA J. MATOSANTOS
Chief Deputy Director

Enclosure

May 2009

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 2009-2010 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2009-2010	0.62

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2009-2010 appropriation limit.

2009-2010:

Per Capita Cost of Living Change = 0.62 percent

Population Change = 1.11 percent

Per Capita Cost of Living converted to a ratio: $\frac{0.62 + 100}{100} = 1.0062$

Population converted to a ratio: $\frac{1.11 + 100}{100} = 1.0111$

Calculation of factor for FY 2009-2010:

$$1.0062 \times 1.0111 = 1.0174$$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2008 to January 1, 2009 and Total Population, January 1, 2009

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2008-2009	1-1-08	1-1-09	1-1-2009
San Diego				
Carlsbad	1.20	103,406	104,652	104,652
Chula Vista	1.20	230,037	232,789	233,108
Coronado	0.46	18,849	18,935	23,028
Del Mar	0.66	4,561	4,591	4,591
El Cajon	0.59	97,555	98,133	98,133
Encinitas	0.83	63,615	64,145	64,145
Escondido	1.10	143,259	144,831	144,831
Imperial Beach	0.54	28,092	28,243	28,243
La Mesa	0.77	56,445	56,881	56,881
Lemon Grove	0.54	25,511	25,650	25,650
National City	0.71	53,567	53,945	56,522
Oceanside	0.89	178,102	179,681	179,681
Poway	0.75	50,744	51,126	51,126
San Diego	1.54	1,322,796	1,343,168	1,353,993
San Marcos	0.89	82,419	83,149	83,149
Santee	1.79	55,850	56,848	56,848
Solana Beach	0.74	13,447	13,547	13,547
Vista	0.72	95,400	96,089	96,089
Unincorporated	1.32	441,860	447,685	499,190
County Total	1.26	3,065,515	3,104,088	3,173,407

(*) 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**

Percentage of Assessed Valuation due to new non-residential construction within the City

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2007 to CY 2008)}^2} \times 100$$

$$= \frac{\$ 1,537,747,016}{\$9,572,545,607} \times 100$$

$$= 0.1606 \times 100$$

$$= 16.06\%$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2008 = \$178,483,071,484

Assessed Valuation for Calendar Year 2007 = \$168,910,525,877

Change in Assessed Valuation = Assessed Valuation for 2008 - Assessed Valuation for 2007

= \$178,483,071,484 - \$168,910,525,877

= \$9,572,545,607

FY 2010 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT

FY 2010

Appropriations Subject to the Gann Limit ***THE APPROPRIATIONS LIMIT AND THE GANN GAP**

Property Tax		\$382,627,884
Property Tax (1)		11,621,290
Sales Tax		210,141,169
Safety Sales Tax		7,057,580
Transient Occupancy Tax (TOT)		144,913,907
TOT General Fund		75,907,285
TOT Special Revenue Fund		69,006,622
Property Transfer Tax		4,511,178
Business Tax		15,556,861
Vehicle License Fee (3)		3,900,000
Interest Earnings		4,091,417

Total Unadjusted Appropriations subject to the Limit	[A]	\$784,421,286
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Adjustment for appropriations not subject to the Gann Limit *Annual Debt Service for Voter Approved Debt (G.O. Bonds)

1991 Public Safety Communication Bonds (2)		2,327,798
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Total Annual Debt Service for Voter Approved Debt	[B]	\$2,327,798
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Qualified Capital Outlays

1996A Balboa Park/Mission Bay Park Certificates of Participation		3,531,735
1996B Balboa Park/Mission Bay Park Refunding Certificates of Participation		884,778
1998 Convention Center Expansion Lease Revenue Bonds (4)		9,200,968
2002B Fire and Life Safety Facilities Project Phase I		1,617,570
2003 City/MTDB Refunding Bonds – Old Town Light Rail Transit Extension		1,151,574
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation		758,099
2007A Ballpark Refunding Bonds (5)		-
2009A Various Capital Improvement Projects (Deferred Maintenance)		4,875,545

Total Qualified Capital Outlays	[C]	\$22,020,269
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Total Adjustment	[D = B+C]	\$24,348,067
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Total Adjusted Appropriations subject to the limit	[E = A-D]	\$760,073,219
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Calculation of the Gann Limit and the Gap

Prior Year (FY 2009) Gann Limit	[F]	\$1,181,182,812
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Adjustment Factor	[G]	1.1785
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Gann Limit for FY 2010	[H = F*G]	\$1,392,023,944
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Projected appropriations are below the limit by:	[I = H-E]	\$631,950,725
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(1) Ad Valorem Tax imposed for Zoological Exhibits (\$9,679,780) & Public Safety Bonds (\$1,941,510).

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

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

(4) \$4.5 million, the annual amount paid by the Port Authority, has been deducted from the total debt service

(5) Centre City Development Corporation/Redevelopment Agency contributes entire debt service amount until 2014.

* Source: FY 2010 Proposed Budget and May Revise Budget Memo.