

FY 2013 GANN LIMIT

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &
TAX APPROPRIATIONS LIMITS ⁽¹⁾
FOR FISCAL YEARS 2004 to 2013**

Fiscal Year	Price Adjustment	X	Population Adjustment	=	Total Adjustment	Appropriations Limit ⁽²⁾
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
2013	1.1336	X	1.0091	=	1.1439	\$1,625,638,150

- (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 2013 adjustment are as follows:

Price Factors:

- (A) Percent growth in State per Capita Personal Income: 3.77%
(Source: Dept of Finance, California-Attachment 2A-2)

Price Factor A 1.0377

- (B) Percent change in Assessed Valuation in new non-residential construction: +13.36%
(Source: San Diego County Assessor's Office-Attachment 2B)

Price Factor B 1.1336

Population Factors:

- (C) Percent growth in County Population: +0.91%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor C 1.0091

- (D) Percent growth in City Population: +0.91%
(Source: Dept of Finance, California-Attachment 2A-3)

Population Factor D 1.0091

Annual Adjustment Factors:

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

$$(A \times C) = (1.0377) \times (1.0091) = 1.0471$$

$$(A \times D) = (1.0377) \times (1.0091) = 1.0471$$

$$(B \times C) = (1.1336) \times (1.0091) = 1.1439$$

$$(B \times D) = (1.1336) \times (1.0091) = 1.1439 \text{ (rounded to 4 decimal places)}$$

The recommended limit was calculated using the adjustment factor “(B x D)”, resulting in a 14.4% increase over the Fiscal Year 2012 Annual Tax Appropriations Limit. Of the 4 adjustment factors listed above, the 1.1439 adjustment factor represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2013 Limit:

$$\begin{aligned} \text{Fiscal Year 2013 Limit} &= (\text{FY 2012 Limit}) \times (\text{Recommended Adjustment Factor}) \\ &= (\$1,421,136,594) \times (1.1439) = \mathbf{\$1,625,638,150} \end{aligned}$$



EDMUND G. BROWN JR. ■ GOVERNOR

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May 2012

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, 2012, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2012-2013. 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 2012-2013 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas' summed population percentage change. 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. 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, 2012.**

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.

ANA J. MATOSANTOS

Director

By:

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Chief Deputy Director

Enclosures

May 2012

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 2012-2013 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2012-2013	3.77

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2012-2013 appropriation limit.

2012-2013:

Per Capita Cost of Living Change = 3.77 percent
 Population Change = 0.68 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.77 + 100}{100} = 1.0377$

Population converted to a ratio: $\frac{0.68 + 100}{100} = 1.0068$

Calculation of factor for FY 2012-2013: $1.0377 \times 1.0068 = 1.0448$

Enclosure II
Annual Percent Change in Population Minus Exclusions
January 1, 2011 to January 1, 2012 and Total Population, January 1, 2012

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2011-2012	1-1-11	1-1-12	1-1-2012
San Diego				
Carlsbad	1.19	106,403	107,674	107,674
Chula Vista	1.37	245,699	249,066	249,382
Coronado	0.83	16,318	16,454	23,187
Del Mar	0.29	4,182	4,194	4,194
El Cajon	0.58	99,981	100,562	100,562
Encinitas	0.87	59,827	60,346	60,346
Escondido	0.74	144,998	146,064	146,064
Imperial Beach	0.65	26,437	26,609	26,609
La Mesa	0.56	57,969	58,296	58,296
Lemon Grove	0.62	25,445	25,603	25,603
National City	0.62	53,688	54,021	58,967
Oceanside	0.82	167,943	169,319	169,319
Poway	0.61	48,088	48,382	48,382
San Diego	0.91	1,291,454	1,303,198	1,321,315
San Marcos	1.16	84,586	85,569	85,569
Santee	1.00	54,102	54,643	54,643
Solana Beach	0.56	12,928	13,000	13,000
Vista	0.81	94,269	95,036	95,036
Unincorporated	0.92	446,776	450,876	495,281
County Total	0.91	3,041,093	3,068,912	3,143,429

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

2013 ADJUSTMENT FACTORS**PRICE FACTOR (A)**

Percent growth in State Per Capita Personal Income
(2012-2013)

Price Factor = 3.77

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

Adjustment Factor (A) = (C5+ 100)/100

A = 1.0377

PRICE FACTOR (B)

	Total Assessed Valuation	Change in AV	New non-residential construction
2010	\$174,779,935,800		
2011	\$176,119,591,114	\$1,339,655,314	\$178,935,086

Price Factor = New non-residential construction/Change in AV *100
13.36

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

Adjustment Factor (B) = (C18+ 100)/100

B = 1.1336

POPULATION FACTOR (C)

Percent growth in County Population = 0.91

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

Adjustment Factor (C) = (C27+ 100) / 100

C = 1.0091

POPULATION FACTOR (D)

Percent growth in City Population = 0.91

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

Adjustment Factor (D) = (C35 + 100) /100

D = 1.0091

ANNUAL ADJUSTMENT FACTORS

(A x C) Income x Cnty Pop	1.0471	Low Value
(A x D) Income x City Pop	1.0471	Low Value
(B x C) Non-residential x Cnty Pop	1.1439	High Value
(B x D) Non-residential x City Pop	1.1439	High Value

FY 2012 GANN Limit	'1'	\$1,421,136,594
Annual Adjustment factor	'2'	1.1439
FY 2013 GANN Limit	'1x2'	\$1,625,638,150

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

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

$$\begin{aligned}
 &= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2010 to CY 2011)}^2} \times 100 \\
 &= \frac{\$178,935,086}{\$1,339,655,314} \times 100 \\
 &= 0.1336 \times 100 \\
 &= 13.36\%
 \end{aligned}$$

¹ Source: San Diego County Assessor's Office

² Source: San Diego County Assessor's Office

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

Assessed Valuation for Calendar Year 2011 = \$176,119,591,114

Change in Assessed Valuation = Assessed Valuation for 2010 - Assessed Valuation for 2011

= \$174,779,935,800 - \$176,119,591,114

= \$1,339,655,314

FY 2013 TAX APPROPRIATIONS SUBJECT TO THE GANN LIMIT

Appropriations Subject to the Gann Limit *			
Property Tax		\$	387,134,682
Property Tax (1)			8,081,538
Sales Tax			235,639,717
Safety Sales Tax			7,781,541
Transient Occupancy Tax (TOT)			155,254,240
Property Transfer Tax			6,359,105
Business Tax			6,613,129
Rental Unit Taxes			5,925,000
Vehicle License Fee (2)			-
Interest Earnings			1,354,233
Total Unadjusted Appropriations subject to the Limit	[A]	\$	814,143,185
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)		\$	-
Total Annual Debt Service for Voter Approved Debt	[B]	\$	-
<u>Qualified Capital Outlays</u>			
1998 Convention Center Expansion Lease Revenue Bonds (4)			9,197,275
2002B Fire and Life Safety Facilities Project Phase I			880,125
2003 City/MTDB Refunding Bonds – Old Town Light Rail Transit Extension			1,153,374
2003 Balboa Park/Mission Bay Park Refunding Certificates of Participation			753,144
2007A Ballpark Refunding Bonds (5)			-
1996B Balboa Park/Mission Bay Park Refunding Certificates of Participation (6)			926,550
2009A Deferred CIP Bonds (6)			7,317,869
Total Qualified Capital Outlays	[C]	\$	20,228,337
Total Adjustment	[D = B+C]	\$	20,228,337
Total Adjusted Appropriations subject to the limit	[E = A-D]	\$	793,914,848
Calculation of the Gann Limit and the Gap			
Prior Year (FY 2012) Gann Limit	[F]	\$	1,421,136,594
Adjustment Factor	[G]		1.1439
Gann Limit for FY 2013	[H = F*G]	\$	1,625,638,150
Projected appropriations are below the limit by:	[I = H-E]	\$	831,723,302

(1) Ad Valorem Tax imposed for Zoological Exhibits (\$8,081,538).

(2) Revenues from Motor Vehicle License Fees are revenues from the State and are subject to the limit. In FY 2013, no revenue from Motor Vehicle License Fees will be received by the City.

(3) The 1991 G.O. Bonds were paid off on July 15, 2011.

(4) \$4.5 million, the annual amount paid by The Unified Port of San Diego, has been deducted from the total debt service. The last \$4.5 million payment from the Port to support the debt service will be on June 30, 2014. The City will make the entire payment beginning in FY 2015.

(5) The City of San Diego and the City's Redevelopment Agency had agreed to have debt service paid on outstanding PETCO financing bonds by the Redevelopment Agency per City Resolution #R-306598 and Redevelopment Agency Resolution #R04606. With the dissolution of the City's Redevelopment Agency, the City, as the Successor agency, has included these debt service payments in the Recognized Obligations Payment Schedule (ROPS).

(6) Listed as 2010A Master Refunding Bonds in the FY 2013 Proposed Budget, Volume I and includes \$4,752,881 for Qualcomm Stadium capital outlay debt payment.

* Source: FY 2013 Proposed Budget and FY 2013 May Revise Budget Memo.