



FAIRFAX TOWN COUNCIL MEETING STAFF REPORT

| | |
|---------------------|--|
| MEETING DATE | July 17, 2024 |
| PREPARED FOR | Mayor and Town Council |
| PREPARED BY | Michael Vivrette, Finance Director |
| SUBJECT | Adoption of a Resolution Making Certain Findings and Determinations in Compliance with Section XIII B of the California Constitution (Gann Initiative) and Setting the Appropriation Limit for Fiscal Year 2024-25 |

RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2024-25. The Town's Fiscal Year 2025 appropriations are estimated to be \$3,034 under the limit, based on the Fiscal Year 2024-25 Adopted Budget.

DISCUSSION

In November 1979, the voters of the State of California approved Proposition 4, commonly known as the Gann Initiative. The proposition created Article XIII B of the State Constitution, placing limits on the amount of revenue that can be spent by all entities of government. Proposition 4 became effective for the 1980-81 fiscal year, but the formula for calculating the limits was based on the 1978-79 "base year" revenues. Appropriations backed by tax revenues collected by all funds within the Town are subject to measurement against the Town's calculated Gann Limit. Since the General Fund is the primary recipient of tax revenue, a rough estimate of the appropriations subject to that limit can be calculated by summing certain tax revenue that the General Fund receives. Please note that the "Proceeds of Taxes" are defined as general purpose taxes the Town receives such as sales and property taxes, but not special purpose taxes such as the special municipal service tax (Measure F). Franchise fees and charges for services are also not included in the "Proceeds of Taxes."

1. The Appropriation Limit calculation (see Exhibit A to the Resolution) starts with the appropriation limit from the prior year. This limit is updated with the "change factors" from population and CPI changes in the prior year as provided by the State Department of Finance (see Attachment B).
2. The result is compared to the current calculation of "Appropriations subject to limit" (Proceeds of taxes based on the budget for the new fiscal year). Note that in this calculation, the term "appropriations" refers to tax revenues to be received by the town. The Appropriation Limit needs to be higher than the "Appropriations subject to limit" or the Town might have to return revenues to the taxpayers or pass a measure approving a higher limit.

The Appropriation Limit for the Town in Fiscal Year 2024-25 is \$7,978,027. Based on the adopted budget for FY 2024-25, the Town is under its limit by \$3,034 (<.1%).

FISCAL IMPACT

N/A

ATTACHMENTS

- A. Resolution with Exhibit A&B. Calculation of Appropriation Limit
- B. California Department of Finance Memo (May 2024)

RESOLUTION 24-__

A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX MAKING CERTAIN FINDINGS AND DETERMINATIONS IN COMPLIANCE WITH SECTION XIII B OF THE CALIFORNIA CONSTITUTION (GANN INITIATIVE) AND SETTING THE APPROPRIATIONS LIMIT FOR FISCAL YEAR 2024-25

WHEREAS, the Town Council discussed and reviewed the proposed budget for fiscal year 2024-25 at the budget workshop conducted on May 8, 2024, as well as at the public hearing on May 22, 2024, and at the Town Council meeting on May 29, 2024.

NOW, THEREFORE, BE IT RESOLVED by the Town Council of the Town of Fairfax, that in compliance with Section XIII B of the Constitution of California, the following is hereby found and determined:

1. The appropriation limit for the fiscal year 2023-24 was \$7,948,027.
2. During calendar year 2023 the population in Fairfax decreased by .38% and the per capita personal income in California increased by 3.62% resulting in an appropriations limit adjustment factor of 3.23%, as shown in the attached Exhibit A;
3. The appropriation limit for the Town of Fairfax for fiscal year 2024-25 is \$8,201,545, as shown in the attached Exhibit A;
4. The Town is under the appropriation limit for 2024-25 by \$3,034.

The foregoing Resolution was duly passed and adopted at a regular meeting of the Town Council of the Town of Fairfax, held in said Town on the 17th day of July 2024, by the following vote, to wit:

**AYES:
NOES:
ABSENT:**

ATTEST

BARBARA COLER
MAYOR

CHRISTINE FOSTER
DEPUTY TOWN CLERK

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATION LIMIT**

| | | PERSONAL | | | APPROPRIATIONS | | |
|----------------|-----------|----------|--------|--------|----------------|-----------|--------|
| | | POP | INCOME | FACTOR | LIMIT | SUBJECT | DIFF |
| 2021/22 | 6,838,836 | 0.9964 | 1.0573 | 1.0535 | 7,204,758 | 7,186,064 | 18,693 |
| 2022/23 | 7,204,758 | 0.9896 | 1.0755 | 1.0643 | 7,668,087 | 7,619,038 | 49,050 |
| 2023/24 | 7,668,087 | 0.9924 | 1.0444 | 1.0365 | 7,948,027 | 7,939,854 | 8,173 |
| 2024/25 | 7,948,027 | 0.9962 | 1.0362 | 1.0323 | 8,204,579 | 8,201,545 | 3,034 |

POPULATION FACTORS - HIGHER OF:

| YEAR ENDED | FAIRFAX | | | COUNTY | | |
|------------|---------|-------|--------|---------|---------|--------|
| | start | end * | % | start | end * | % |
| 1/1/2021 | 7,525 | 7,498 | 0.9964 | 256,217 | 255,106 | 0.9957 |
| 1/1/2022 | 7,496 | 7,418 | 0.9896 | 256,537 | 253,686 | 0.9889 |
| 1/1/2023 | 7,410 | 7,354 | 0.9924 | 252,012 | 249,348 | 0.9894 |
| 1/1/2024 | 7,399 | 7,371 | 0.9962 | 250,360 | 249,041 | 0.9947 |

POPULATION FACTOR 1 - Higher of:

- 1) City Population increase OR
- 2) County population increase

* NOTE: Ending estimates adjusted based on Dept of Finance revised beginning estimates provided following year.

PRICE FACTOR 2 - Higher of:

- 1) Change in Calif per capita personal income OR
- 2) Change in value of commercial building

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATIONS LIMIT**

| 2023-24 | 2024-25 |
|-----------------|-----------------|
| per FY24 budget | per FY25 budget |

REVENUE:

PROCEEDS OF TAXES

| | | | |
|--|-------------------|-----------|-----------|
| Property Taxes - Secured | 1 TAXES | 3,450,000 | 3,570,000 |
| Property Taxes - Unsecured | 2 TAXES | 65,000 | 70,000 |
| Property Taxes - Prior | 3 TAXES | 5,000 | 5,000 |
| Real Estate Transfer Tax | 4 TAXES | 70,000 | 40,000 |
| Cigarette Tax | | | |
| Supplemental Property Taxes | 6 TAXES | 100,000 | 63,000 |
| ERAF Excess Distribution | 7 TAXES | 625,000 | 630,000 |
| ERAF III Shift to State | 8 TAXES | - | - |
| Property Tax In-Lieu of VLF (VLF Swap) | 9 TAXES | 900,000 | 900,000 |
| MWPA Wildfire tax | 9 TAXES | 104,710 | 104,710 |
| Storm Run-Off Fee | 10 OTHER AGENCIES | 53,200 | 53,200 |
| In-Lieu Sales Tax (Triple Flip) | 11 TAXES | - | - |
| Sales Tax - BB | 12 TAXES | 800,000 | 860,000 |
| 1/2 cent Sales Tax - Prop. 172 | 13 TAXES | 123,690 | 120,000 |
| Sales Tax - D | 14 TAXES | - | - |
| Sales Tax - C | 14 TAXES | 1,044,000 | 1,055,000 |
| Utility Users Tax - Telecom | 15 TAXES | 60,000 | 50,000 |
| Utility Users Tax - Energy | 16 TAXES | 300,000 | 350,000 |
| Hotel Users Tax | 17 TAXES | 18,000 | 20,000 |
| Business Licenses | 21 LICENSES | 100,000 | 120,000 |
| Homeowners Exemption | 31 OTHER AGENCIES | 12,450 | 12,600 |
| Other Fed/State County | 31 OTHER AGENCIES | - | - |

| | | | |
|--------------------------------|--|------------------|------------------|
| TOTAL PROCEEDS OF TAXES | | 7,831,050 | 8,023,510 |
| | | 89.698% | 88.442% |

NON PROCEEDS OF TAXES

| | | | |
|---|----------------------|---------|---------|
| Garbage | 18 FRANCHISE FEES | 260,000 | 260,000 |
| Gas & Electric | 19 FRANCHISE FEES | 80,000 | 85,000 |
| Cable | 20 FRANCHISE FEES | 128,477 | 126,000 |
| Taxi | FRANCHISE FEES | | |
| Vehicle Code Fines | 22 FINES | 20,000 | 20,000 |
| Parking & Other Fines | 23 FINES | 60,000 | 45,000 |
| Women's Club and Other | 24 RENTAL/MAINT FEES | 10,000 | 15,000 |
| CYO - Pavilion | 25 RENTAL/MAINT FEES | 2,000 | - |
| Pavilion - Other | 26 RENTAL/MAINT FEES | 2,000 | 4,000 |
| Pavilion - OCA Net Revenue | 27 RENTAL/MAINT FEES | 200 | 3,000 |
| Police Training Reimbursement (POST) | 32 OTHER AGENCIES | 9,000 | 7,000 |
| Planning/PW Grant | 36 CHG FOR CURR SERV | | 85,000 |
| Sale Of Maps & Publications | 35 CHG FOR CURR SERV | 1,500 | 1,500 |
| Special Police Services (includes booking fees) | 36 CHG FOR CURR SERV | 6,820 | 7,000 |
| Recreation Services & Fees | 36 CHG FOR CURR SERV | 79,420 | 89,000 |
| Police Dispatch | 37 CHG FOR CURR SERV | 127,000 | 139,000 |
| Environmental Grants | 34 CHG FOR CURR SERV | 81,000 | 130,000 |
| Miscellaneous - General | 33 CHG FOR CURR SERV | 32,000 | 32,000 |

| | | | |
|-----------------------------------|--|----------------|------------------|
| TOTAL NONPROCEEDS OF TAXES | | 899,417 | 1,048,500 |
|-----------------------------------|--|----------------|------------------|

| | | | |
|----------------------|--|------------------|------------------|
| TOTAL REVENUE | | 8,730,467 | 9,072,010 |
|----------------------|--|------------------|------------------|

ALLOCATION OF INTEREST

| | | | |
|---------------------------------|------------------------|---------|---------|
| Interest Income | 28 INVESTMENT EARNINGS | 121,300 | 201,300 |
| Interest allocation factor | | 89.698% | 88.442% |
| ALLOCATION TO Proceeds of Taxes | | 108,804 | 178,035 |

| | | | |
|--------------------------------|--|------------------|------------------|
| TOTAL PROCEEDS OF TAXES | | 7,939,854 | 8,201,545 |
|--------------------------------|--|------------------|------------------|

8,851,767 9,273,310



April 30, 2024

Dear Fiscal Officer:

Price Factor and Population Information

Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of 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, 2024, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2024-25. Attachment A provides the change in California's per capita personal income and an example for utilizing the factors to calculate the 2024-25 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the 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. California Revenue and Taxation Code section 2228 provides additional information regarding the appropriations limit. Article XIII B, section 9(C) of the California Constitution exempts certain special districts from the appropriations limit calculation mandate. 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 requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

Population Certification

The population certification program applies only to cities and counties. California 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, 2024.** Please note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data.

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

/s Richard Gillihan

RICHARD GILLIHAN
Chief Operating Officer

Attachment

- 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 2024-25 appropriation limit is:

| Per Capita Personal Income | |
|----------------------------|--------------------------------------|
| Fiscal Year (FY) | Percentage change over prior year |
| 2024-25 | 3.62 |

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2024-25 appropriation limit.

2024-25:

Per Capita Cost of Living Change = 3.62 percent
 Population Change = 0.17 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.62 + 100}{100} = 1.0362$

Population converted to a ratio: $\frac{0.17 + 100}{100} = 1.0017$

Calculation of factor for FY 2024-25: $1.0362 \times 1.0017 = 1.0379$

Fiscal Year 2024-25

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2023 to January 1, 2024 and Total Population, January 1, 2024

| County City | <u>Percent Change</u> | <u>--- Population Minus Exclusions ---</u> | | <u>Total</u> |
|----------------|-----------------------|--|---------|--------------|
| | 23-24 | 1-1-23 | 1-1-24 | 1-1-24 |
| Marin | | | | |
| Belvedere | -0.15 | 2,046 | 2,043 | 2,043 |
| Corte Madera | -0.44 | 9,916 | 9,872 | 9,882 |
| Fairfax | -0.38 | 7,399 | 7,371 | 7,371 |
| Larkspur | 0.13 | 12,638 | 12,655 | 12,655 |
| Mill Valley | -0.44 | 13,695 | 13,635 | 13,635 |
| Novato | -1.08 | 51,415 | 50,861 | 51,140 |
| Ross | -0.26 | 2,278 | 2,272 | 2,272 |
| San Anselmo | -0.14 | 12,443 | 12,426 | 12,426 |
| San Rafael | -0.45 | 59,855 | 59,585 | 59,585 |
| Sausalito | -0.55 | 6,894 | 6,856 | 6,856 |
| Tiburon | -0.36 | 8,841 | 8,809 | 8,809 |
| Unincorporated | -0.45 | 62,940 | 62,656 | 66,170 |
| County Total | -0.53 | 250,360 | 249,041 | 252,844 |

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