



TOWN OF FAIRFAX

STAFF REPORT

July 18, 2018

TO: Mayor and Town Council

FROM: Michael Vivrette, Finance Director *GV*

SUBJECT: Adopt 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 2018-19

RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2018-19. The Town's Fiscal Year 2019 appropriations are estimated to be \$133,903 under the limit, based on the Fiscal Year 2018-19 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 J). Franchise fees and charges for services are also not included in the "Proceeds of Taxes."

1. The Appropriation Limit calculation (attached as Exhibit B 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 (attached as Exhibit A to the Resolution).
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.

The Appropriation Limit for the Town in Fiscal Year 2018-19 is \$6,680,410. Based on the adopted budget for FY 2018-19, the Town is under its limit by \$133,903.

FISCAL IMPACT

N/A

ATTACHMENTS

Resolution with exhibits:

- A. California Department of Finance Memo May 2018
- B. Calculation of Appropriation Limit

AGENDA ITEM # 3

RESOLUTION 18-__

**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 2018-19**

WHEREAS, the Town Council discussed and reviewed the proposed budget for fiscal year 2018-19 at the budget workshop conducted on May 25, 2018, as well as at the public hearing on June 6, 2018, and at the Town Council meeting on July 18, 2018,

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 2017-18 was 6,143,872;
2. During calendar year 2017 the population in Marin County increased by .17% and the per capita personal income in California increased by 3.67% resulting in an appropriations limit adjustment factor of 3.85%, as shown in the attached Exhibit A, page 1;
3. The appropriation limit for the Town of Fairfax for fiscal year 2018-19 is \$6,380,410, as shown in Exhibit B, page 1;
4. The Town is under the appropriation limit for fiscal year 2018-19 by \$133,903.

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 18th day of July 2018, by the following vote, to wit:

AYES:

NOES:

ABSENT:

PETER LACQUES, Mayor

Attest: _____
Michele Gardner, Town Clerk



DEPARTMENT OF
FINANCE
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO, CA ■ 95814-4998 ■ [WWW.DOF.CA.GOV](http://www.dof.ca.gov)

May 2018

Dear Fiscal Officer:

Subject: 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, 2018, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2018-19. 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 2018-19 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. The code section and the California Constitution can be accessed at the following website: <http://leginfo.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 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, 2018.**

Please Note: The 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:

AMY M. COSTA

Chief Deputy Director

EXHIBIT A

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATIONS LIMIT**

Exhibit B p.2

			2017-18	2018-19
			per FY18 budget	per FY19 budget
REVENUE:				
PROCEEDS OF TAXES				
Property Taxes - Secured	1	TAXES	2,600,000	2,774,000
Property Taxes - Unsecured	2	TAXES	50,000	51,624
Property Taxes - Prior	3	TAXES	3,000	3,000
Real Estate Transfer Tax	4	TAXES	45,000	45,000
\$50 General Municipal Services Tax	5	TAXES	-	-
Supplemental Property Taxes	6	TAXES	55,000	60,000
ERAF Excess Distribution	7	TAXES	400,000	502,826
ERAF III Shift to State	8	TAXES	-	-
Property Tax In-Lieu of VLF (VLF Swap)	9	TAXES	660,000	775,513
Storm Run-Off Fee	10	OTHER AGENCIES	55,000	54,000
In-Lieu Sales Tax (Triple Flip)	11	TAXES	-	-
Sales Tax - BB	12	TAXES	630,900	693,000
1/2 cent Sales Tax - Prop. 172	13	TAXES	64,300	63,594
Sales Tax - D	14	TAXES	-	-
Sales Tax - C	14	TAXES	649,000	681,000
Utility Users Tax - Telecom	15	TAXES	100,000	100,000
Utility Users Tax - Energy	16	TAXES	240,000	240,000
Hotel Users Tax	17	TAXES	30,000	20,000
Business Licenses	21	LICENSES	130,000	130,000
Vehicle License Fees	30	OTHER AGENCIES	3,500	3,500
Homeowners Exemption	31	OTHER AGENCIES	13,200	12,812
TOTAL PROCEEDS OF TAXES			5,728,900	6,209,869
			87.991%	88.712%
NON PROCEEDS OF TAXES				
Garbage	18	FRANCHISE FEES	193,800	187,000
Gas & Electric	19	FRANCHISE FEES	65,000	75,000
Cable	20	FRANCHISE FEES	130,000	130,000
Vehicle Code Fines	22	FINES	24,000	24,000
Parking & Other Fines	23	FINES	100,000	100,000
Women's Club and Other	24	RENTAL/MAINT FEES	13,000	13,000
CYO - Pavilion	25	RENTAL/MAINT FEES	6,000	6,000
Pavilion - Other	26	RENTAL/MAINT FEES	5,000	5,000
Pavilion - OCA Net Revenue	27	RENTAL/MAINT FEES	1,000	1,000
Police Training Reimbursement (POST)	32	OTHER AGENCIES	5,300	5,300
Sale Of Maps & Publications	35	CHG FOR CURR SERV	1,500	1,500
Special Police Services (includes booking fees)	36	CHG FOR CURR SERV	15,000	15,000
Recreation Services & Fees	36	CHG FOR CURR SERV	109,100	105,131
Police Dispatch	37	CHG FOR CURR SERV	76,000	85,000
Zero Waste Grant	34	CHG FOR CURR SERV	12,200	12,200
Miscellaneous - General	33	CHG FOR CURR SERV	25,000	25,000
TOTAL NONPROCEEDS OF TAXES			781,900	790,131
TOTAL REVENUE			6,510,800	7,000,000
ALLOCATION OF INTEREST				
Interest Income	28	INVESTMENT EARNINGS	16,300	41,300
Interest allocation factor			87.991%	88.712%
ALLOCATION TO Proceeds of Taxes			14,342	36,638
TOTAL PROCEEDS OF TAXES			5,743,242	6,246,507