




# TOWN OF FAIRFAX

## STAFF REPORT

### July 12, 2017

**TO:** Mayor and Town Council

**FROM:** Michael Vivrette, Finance Director 

**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 2017-18

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#### RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2017-18. The Town's Fiscal Year 2018 appropriations are estimated to be \$400,630 under the limit, based on the Fiscal Year 2017-18 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 2017-18 is \$6,143,872. Based on the adopted budget for FY 2017-18, the Town is under its limit by \$400,630.

#### FISCAL IMPACT

N/A

#### ATTACHMENTS

Resolution with exhibits:

- A. California Department of Finance Memo May 2017
- B. Calculation of Appropriation Limit

RESOLUTION 17-\_\_

**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 2017-18**

**WHEREAS**, the Town Council discussed and reviewed the proposed budget for fiscal year 2017-18 at the budget workshop conducted on May 25, 2017, as well as at the public hearing on June 7, 2017, and at the Town Council meeting on July 12, 2017,

**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 2016-17 was \$5,914,867;
2. During calendar year 2016 the population in Marin County increased by .18% and the per capita personal income in California increased by 3.69% resulting in an appropriations limit adjustment factor of 3.87%, as shown in the attached Exhibit A, page 1;
3. The appropriation limit for the Town of Fairfax for fiscal year 2017-18 is \$ 6,143,872, as shown in Exhibit B, page 1;
4. The Town is under the appropriation limit for 2017-18 by \$400,630.

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 12th of July 2017, by the following vote, to wit:

AYES:

NOES:

ABSENT:

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John Reed, Mayor

Attest: \_\_\_\_\_  
Michele Gardner, Town Clerk



May 2017

Dear Fiscal Officer:

**Subject: Price Factor and Population Information**

**Appropriations Limit**

The California Revenue and Taxation Code, section 2227, requires 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, 2017, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2017-18. 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 2017-18 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. The 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 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 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. 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, 2017.**

**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:

AMY M. COSTA  
Chief Deputy Director

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 2017-18 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2017-18	3.69

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2017-18 appropriation limit.

**2017-18:**

Per Capita Cost of Living Change = 3.69 percent  
 Population Change = 0.85 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.69 + 100}{100} = 1.0369$

Population converted to a ratio:  $\frac{0.85 + 100}{100} = 1.0085$

Calculation of factor for FY 2017-18:  $1.0369 \times 1.0085 = 1.0457$

Fiscal Year 2017-18

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2016 to January 1, 2017 and Total Population, January 1, 2017**

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2016-2017	1-1-16	1-1-17	1-1-2017
Marin				
Belvedere	-0.05	2,173	2,172	2,172
Corte Madera	0.06	9,480	9,486	9,486
Fairfax	0.15	7,560	7,571	7,571
Larkspur	0.17	12,551	12,572	12,572
Mill Valley	0.15	14,887	14,910	14,910
Novato	0.10	54,205	54,261	54,522
Ross	0.08	2,541	2,543	2,543
San Anselmo	0.06	12,929	12,937	12,937
San Rafael	0.25	60,692	60,842	60,842
Sausalito	0.18	7,314	7,327	7,327
Tiburon	0.12	9,497	9,508	9,508
Unincorporated	0.24	65,258	65,412	69,214
County Total	0.18	259,087	259,541	263,604

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

**TOWN OF FAIRFAX  
CALCULATION OF APPROPRIATION LIMIT**

	PERSONAL INCOME		POP	FACTOR	LIMIT	APPROPRIATIONS		DIFF
	POP	INCOME				SUBJECT	SUBJECT	
2008/09	1.0093	1,0429	1.0526	4,674,332				
2009/10	1.0081	1,0062	1.0144	4,741,426	3,983,768	757,658		
2010/11	1.0093	0,9746	0.9837	4,664,034	4,220,320	443,714		
2011/12	1.0090	1,0251	1.0343	4,824,120	4,201,115	623,005		
2012/13	1.0105	1,0377	1.0486	5,058,614	4,459,500	599,114		
2013/14	1.0042	1,0512	1.0556	5,339,949	4,790,385	549,564		
2014/15	1.0042	0,9977	1.0019	5,350,043	4,948,147	401,896		
2015/16	1.0073	1,0382	1.0458	5,594,962	5,069,584	525,378		
2016/17	1.0033	1,0637	1.0572	5,914,867	5,340,972	573,895		
2017/18	1.0018	1,0369	1.0387	6,143,872	5,743,242	400,630		

Exhibit B p.2

**POPULATION FACTORS - HIGHER OF:**

YEAR ENDED	FAIRFAX			COUNTY		
	start	end	%	start	end	%
1/1/2008	7,347	7,412	1.0088	249,815	252,146	1.0093
1/1/2009	7,385	7,434	1.0066	251,251	253,287	1.0081
1/1/2010	7,435	7,492	1.0077	253,271	255,630	1.0093
1/1/2011	7,433	7,497	1.0086	246,844	249,065	1.0090
1/1/2012	7,445	7,522	1.0103	247,423	250,024	1.0105
1/1/2013	7,479	7,499	1.0027	248,608	249,652	1.0042
1/1/2014	7,520	7,541	1.0028	250,341	251,401	1.0042
1/1/2015	7,581	7,634	1.0070	252,708	254,558	1.0073
1/1/2016	7,433	7,426	0.9991	257,480	258,318	1.0033
1/1/2017	7,560	7,571	1.0015	259,087	259,541	1.0018

**POPULATION FACTOR 1 - Higher of:**

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

**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**

2016-17	2017-18
per FY17 budget	per FY18 budget

**REVENUE:**

**PROCEEDS OF TAXES**

Property Taxes - Secured	2,420,000	2,600,000
Property Taxes - Unsecured	50,000	50,000
Property Taxes - Prior	5,000	3,000
Real Estate Transfer Tax	50,000	45,000
\$50 General Municipal Services Tax	-	-
Supplemental Property Taxes	52,000	55,000
ERAF Excess Distribution	385,000	400,000
ERAF III Shift to State	-	-
Property Tax In-Lieu of VLF (VLF Swap)	660,000	660,000
Storm Run-Off Fee	55,000	55,000
In-Lieu Sales Tax (Triple Flip)	-	-
Sales Tax - BB	638,000	630,900
1/2 cent Sales Tax - Prop. 172	65,000	64,300
Sales Tax - D	440,000	-
Sales Tax - C	-	649,000
Utility Users Tax - Telecom	100,000	100,000
Utility Users Tax - Energy	240,000	240,000
Hotel Users Tax	32,000	30,000
Business Licenses	128,000	130,000
Vehicle License Fees	2,500	3,500
Homeowners Exemption	13,200	13,200
<b>TOTAL PROCEEDS OF TAXES</b>	<b>5,335,700</b>	<b>5,728,900</b>
	87.859%	87.991%

**NON PROCEEDS OF TAXES**

Garbage	190,000	193,800
Gas & Electric	62,000	65,000
Cable	150,000	130,000
Vehicle Code Fines	21,000	24,000
Parking & Other Fines	95,000	100,000
Women's Club and Other	13,000	13,000
CYO - Pavilion	10,000	6,000
Pavilion - Other	4,000	5,000
Pavilion - OCA Net Revenue	1,000	1,000
Police Training Reimbursement (POST)	2,000	5,300
Sale Of Maps & Publications	1,000	1,500
Special Police Services (includes booking fees)	15,000	15,000
Recreation Services & Fees	72,000	109,100
Police Dispatch	54,000	76,000
Zero Waste Grant	12,300	12,200
Miscellaneous - General	35,000	25,000
<b>TOTAL NONPROCEEDS OF TAXES</b>	<b>737,300</b>	<b>781,900</b>

<b>TOTAL REVENUE</b>	<b>6,073,000</b>	<b>6,510,800</b>
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**ALLOCATION OF INTEREST**

Interest Income	6,000	16,300
Interest allocation factor	87.859%	87.991%
ALLOCATION TO Proceeds of Taxes	5,272	14,342
<b>TOTAL PROCEEDS OF TAXES</b>	<b>5,340,972</b>	<b>5,743,242</b>