



TOWN OF FAIRFAX

STAFF REPORT

July 17, 2019

TO: Mayor and Town Council

FROM: 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 2019-20

RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2019-20. The Town's Fiscal Year 2020 appropriations are estimated to be \$161,161 under the limit, based on the Fiscal Year 2019-20 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, or pass a measure approving a higher limit.

The Appropriation Limit for the Town in Fiscal Year 2019-20 is \$6,632,127. Based on the adopted budget for FY 2019-20, the Town is under its limit by \$161,161.

FISCAL IMPACT

N/A

ATTACHMENTS

Resolution with exhibits:

- A. California Department of Finance Memo May 2019
- B. Calculation of Appropriation Limit

AGENDA ITEM # 13

RESOLUTION 19-__

**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 2019-20**

WHEREAS, the Town Council discussed and reviewed the proposed budget for fiscal year 2019-20 at the budget workshop conducted on May 10, 2019, as well as at the public hearing on June 5, 2019, and at the Town Council meeting on July 17, 2019,

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 2018-19 was \$6,380,466;
2. During calendar year 2018 the population in Fairfax increased by .09% and the per capita personal income in California increased by 3.85% resulting in an appropriations limit adjustment factor of 3.94%, as shown in the attached Exhibit B p.1;
3. The appropriation limit for the Town of Fairfax for fiscal year 2019-20 is \$ 6,632,127, as shown in Exhibit B p.1;
4. The Town is under the appropriation limit for 2019-20 by \$161,161.

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 of July 2018, by the following vote, to wit:

AYES:
NOES:
ABSENT:

Barbara Coler, Mayor

Attest: _____
Michele Gardner, Town Clerk



May 2019

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, 2019, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2019-20. 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 2019-20 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.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. 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, 2019.**

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.

KEELY BOSLER
Director
By:

Vivek Viswanathan
Chief Deputy Director

- 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 2019-20 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2019-20	3.85



- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2019-20 appropriation limit.

2019-20:

Per Capita Cost of Living Change = 3.85 percent
Population Change = 0.47 percent

Per Capita Cost of Living converted to a ratio: $\frac{3.85 + 100}{100} = 1.0385$

Population converted to a ratio: $\frac{0.47 + 100}{100} = 1.0047$

Calculation of factor for FY 2019-20: $1.0385 \times 1.0047 = 1.0434$

Fiscal Year 2019-20

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2018 to January 1, 2019 and Total Population, January 1, 2019

County City	Percent Change 2018-2019	--- Population Minus Exclusions ---		Total Population
		1-1-18	1-1-19	1-1-2019
Marin				
Belvedere	0.00	2,148	2,148	2,148
Corte Madera	0.04	10,043	10,047	10,047
Fairfax	0.09	7,714	7,721	7,721
Larkspur	-0.08	12,588	12,578	12,578
Mill Valley	0.04	14,669	14,675	14,675
Novato	-0.09	53,873	53,827	54,115
Ross	-0.08	2,528	2,526	2,526
San Anselmo	-0.05	12,908	12,902	12,902
San Rafael	0.04	60,020	60,046	60,046
Sausalito	-0.07	7,421	7,416	7,416
Tiburon	-0.04	9,366	9,362	9,362
Unincorporated	0.01	65,288	65,292	69,343
County Total	-0.01	258,566	258,540	262,879

*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

POPULATION FACTORS - HIGHER OF:

	POP	PERSONAL INCOME	FACTOR	APPROPRIATIONS			DIFF	YEAR ENDED	FAIRFAX		%	COUNTY		%
				LIMIT	SUBJECT				start	end		start	end	
2008/09	1,0093	1,0429	1,0526	4,674,332	3,983,768	757,658	1/1/2008	7,347	7,412	1,0088	249,815	252,146	1,0093	
2009/10	1,0081	1,0062	1,0144	4,741,426	4,220,320	443,714	1/1/2009	7,385	7,434	1,0066	251,251	253,287	1,0081	
2010/11	1,0093	0,9746	0,9837	4,664,034	4,201,115	623,005	1/1/2010	7,435	7,492	1,0077	253,271	255,630	1,0093	
2011/12	1,0090	1,0251	1,0343	4,824,120	4,459,500	599,114	1/1/2011	7,433	7,497	1,0086	246,844	249,065	1,0090	
2012/13	1,0105	1,0377	1,0486	5,058,614	4,790,385	549,561	1/1/2012	7,445	7,522	1,0103	247,423	250,024	1,0105	
2013/14	1,0042	1,0512	1,0556	5,339,946	4,948,147	402,075	1/1/2013	7,479	7,499	1,0027	248,608	249,652	1,0042	
2014/15	1,0042	0,9977	1,0019	5,350,222	5,069,584	525,680	1/1/2014	7,520	7,541	1,0028	250,341	251,401	1,0042	
2015/16	1,0073	1,0382	1,0458	5,595,264	5,340,972	573,947	1/1/2015	7,581	7,634	1,0070	252,708	254,558	1,0073	
2016/17	1,0033	1,0537	1,0571	5,914,918	5,743,242	400,684	1/1/2016	7,433	7,426	0,9991	257,480	258,318	1,0033	
2017/18	1,0018	1,0369	1,0387	6,143,926	6,246,507	133,959	1/1/2017	7,560	7,571	1,0015	259,087	259,541	1,0018	
2018/19	1,0017	1,0367	1,0385	6,380,466	6,470,966	161,161	1/1/2018	7,533	7,534	1,0001	259,199	259,649	1,0017	
2019/20	1,0009	1,0385	1,0394	6,632,127			1/1/2019	7,714	7,721	1,0009	258,566	258,540	0,9999	

Exhibit B p.2

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**

		2018-19	2019-20
		per FY19 budget	per FY20 budget
REVENUE:			
PROCEEDS OF TAXES			
Property Taxes - Secured	1 TAXES	2,774,000	2,860,000
Property Taxes - Unsecured	2 TAXES	51,624	52,400
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	60,000	70,000
ERAF Excess Distribution	7 TAXES	502,826	510,000
ERAF III Shift to State	8 TAXES	-	-
Property Tax In-Lieu of VLF (VLF Swap)	9 TAXES	775,513	775,500
Storm Run-Off Fee	10 OTHER AGENCIES	54,000	54,000
In-Lieu Sales Tax (Triple Flip)	11 TAXES	-	-
Sales Tax - BB	12 TAXES	693,000	693,000
1/2 cent Sales Tax - Prop. 172	13 TAXES	63,594	63,300
Sales Tax - D	14 TAXES	-	-
Sales Tax - C	14 TAXES	681,000	724,000
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	20,000	21,000
Business Licenses	21 LICENSES	130,000	132,000
Vehicle License Fees	30 OTHER AGENCIES	3,500	3,500
Homeowners Exemption	31 OTHER AGENCIES	12,812	13,000
TOTAL PROCEEDS OF TAXES		6,209,869	6,359,700
		88.712%	88.097%
NON PROCEEDS OF TAXES			
Garbage	18 FRANCHISE FEES	187,000	225,000
Gas & Electric	19 FRANCHISE FEES	75,000	75,000
Cable	20 FRANCHISE FEES	130,000	130,000
Vehicle Code Fines	22 FINES	24,000	30,000
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	7,000
Sale Of Maps & Publications	35 CHG FOR CURR SERV	1,500	1,500
Special Police Services (includes booking fees)	36 CHG FOR CURR SERV	15,000	10,000
Recreation Services & Fees	36 CHG FOR CURR SERV	105,131	125,600
Police Dispatch	37 CHG FOR CURR SERV	85,000	93,000
Environmental Grants	34 CHG FOR CURR SERV	12,200	12,200
Miscellaneous - General	33 CHG FOR CURR SERV	25,000	25,000
TOTAL NONPROCEEDS OF TAXES		790,131	859,300
TOTAL REVENUE		7,000,000	7,219,000
ALLOCATION OF INTEREST			
Interest Income	28 INVESTMENT EARNINGS	41,300	126,300
Interest allocation factor		88.712%	88.097%
ALLOCATION TO Proceeds of Taxes		36,638	111,266
TOTAL PROCEEDS OF TAXES		6,246,507	6,470,966