



TOWN OF FAIRFAX

STAFF REPORT

July 6, 2022

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 2022-23

RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2022-23. The Town's Fiscal Year 2023 appropriations are estimated to be \$49,050 under the limit, based on the Fiscal Year 2022-23 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 2022-23 is \$7,668,087. Based on the adopted budget for FY 2022-23, the Town is under its limit by \$49,050 (.64%).

FISCAL IMPACT

N/A

ATTACHMENTS

- A. Resolution with Exhibits A&B. Calculation of Appropriation Limit
- B. California Department of Finance Memo (May 2022)

RESOLUTION 22-__

**A RESOLUTION OF THE TOWN COUNCIL OF THE TOWN OF FAIRFAX
MAKING CERTAIN FINDINGS AND DETERMINATIONS IN COMPLIANCE WITH SECTION
XIIIB OF THE CALIFORNIA CONSTITUTION (GANN INITIATIVE) AND SETTING THE
APPROPRIATIONS LIMIT FOR FISCAL YEAR 2022-23**

WHEREAS, the Town Council discussed and reviewed the proposed budget for fiscal year 2022-23 at the budget workshop conducted on May 13, 2022, as well as at the public hearing on June 15, 2022, and at the Town Council meeting on July 6, 2022,

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

1. The appropriation limit for the fiscal year 2021-22 was \$7,204,758;
2. During calendar year 2021 the population in Fairfax decreased by 1.04% and the per capita personal income in California increased by 7.55% resulting in an appropriations limit adjustment factor of 6.43%, as shown in the attached Exhibit A;
3. The appropriation limit for the Town of Fairfax for fiscal year 2022-23 is \$7,668,087, as shown in the attached Exhibit A;
4. The Town is under the appropriation limit for 2022-23 by \$49,050.

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 6th day of July 2022, by the following vote, to wit:

AYES:

NOES:

ABSENT:

Stephanie Hellman , Mayor

Attest: _____
Michele Gardner, Town Clerk

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATION LIMIT**

		PERSONAL		FACTOR	APPROPRIATIONS		
		POP	INCOME		LIMIT	SUBJECT	DIFF
2019/20	6,553,066	1.0009	1.0385	1.0394	6,632,127	6,470,966	161,161
2020/21	6,632,127	0.9941	1.0373	1.0312	6,838,836	6,419,052	419,784
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

POPULATION FACTORS - HIGHER OF:

YEAR ENDED	FAIRFAX			COUNTY		
	start	end *	%	start	end *	%
1/1/2019	7,714	7,721	1.0009	258,566	258,540	0.9999
1/1/2020	7,443	7,399	0.9941	257,901	256,353	0.9940
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

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**

2021-22	2022-23
per FY22 budget	per FY23 budget

REVENUE:

PROCEEDS OF TAXES

Property Taxes - Secured	1	TAXES	3,192,300	3,383,838
Property Taxes - Unsecured	2	TAXES	6,400	6,400
Property Taxes - Prior	3	TAXES	2,000	2,000
Real Estate Transfer Tax	4	TAXES	62,400	67,000
Supplemental Property Taxes	6	TAXES	120,000	115,900
ERAF Excess Distribution	7	TAXES	650,000	650,000
ERAF III Shift to State	8	TAXES	-	-
Property Tax In-Lieu of VLF (VLF Swap)	9	TAXES	860,000	900,000
MWPA Wildfire tax	9	TAXES	96,000	104,000
Storm Run-Off Fee	10	OTHER AGENCIES	53,200	53,200
In-Lieu Sales Tax (Triple Flip)	11	TAXES	-	-
Sales Tax - BB	12	TAXES	672,000	739,200
1/2 cent Sales Tax - Prop. 172	13	TAXES	106,200	116,820
Sales Tax - D	14	TAXES	-	-
Sales Tax - C	14	TAXES	864,000	950,400
Utility Users Tax - Telecom	15	TAXES	58,000	63,000
Utility Users Tax - Energy	16	TAXES	280,000	300,000
Hotel Users Tax	17	TAXES	12,000	17,000
Business Licenses	21	LICENSES	120,000	120,000
Homeowners Exemption	31	OTHER AGENCIES	13,000	13,000
Other Fed/State County	31	OTHER AGENCIES	-	-
TOTAL PROCEEDS OF TAXES			7,167,500	7,601,758
			87.157%	89.532%

NON PROCEEDS OF TAXES

Garbage	18	FRANCHISE FEES	280,000	280,000
Gas & Electric	19	FRANCHISE FEES	80,000	80,000
Cable	20	FRANCHISE FEES	120,000	120,000
Vehicle Code Fines	22	FINES	30,000	30,000
Parking & Other Fines	23	FINES	100,000	100,000
Women's Club and Other	24	RENTAL/MAINT FEES	10,000	10,000
CYO - Pavilion	25	RENTAL/MAINT FEES	2,000	2,000
Pavilion - Other	26	RENTAL/MAINT FEES	2,000	2,000
Pavilion - OCA Net Revenue	27	RENTAL/MAINT FEES	300	300
Police Training Reimbursement (POST)	32	OTHER AGENCIES	7,000	9,000
Sale Of Maps & Publications	35	CHG FOR CURR SERV	1,500	1,500
Special Police Services (includes booking fees)	36	CHG FOR CURR SERV	6,000	6,820
Recreation Services & Fees	36	CHG FOR CURR SERV	61,208	61,208
SB2 Planning Grant	36	CHG FOR CURR SERV	205,000	
Police Dispatch	37	CHG FOR CURR SERV	102,000	114,000
Environmental Grants	34	CHG FOR CURR SERV	17,200	40,000
Miscellaneous - General	33	CHG FOR CURR SERV	32,000	32,000
TOTAL NONPROCEEDS OF TAXES			1,056,208	888,828

TOTAL REVENUE

8,223,708	8,490,586
-	290,280

ALLOCATION OF INTEREST

Interest Income	28	INVESTMENT EARNINGS	21,300	19,300
Interest allocation factor			87.157%	89.532%
ALLOCATION TO Proceeds of Taxes			18,564	17,280

TOTAL PROCEEDS OF TAXES

7,186,064	7,619,038
8,245,008	8,509,886
-	-



May 2022

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, 2022, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2022-23. 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 2022-23 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, 2022.**

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.

KEELY MARTIN BOSLER
Director
By:

ERIKA LI
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 2022-23 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2022-23	7.55

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2022-23 appropriation limit.

2022-23:

Per Capita Cost of Living Change = 7.55 percent

Population Change = -0.30 percent

Per Capita Cost of Living converted to a ratio: $\frac{7.55 + 100}{100} = 1.0755$

Population converted to a ratio: $\frac{-0.30 + 100}{100} = 0.997$

Calculation of factor for FY 2022-23: $1.0755 \times 0.997 = 1.0723$

Fiscal Year 2022-23

**Annual Percent Change in Population Minus Exclusions*
January 1, 2021 to January 1, 2022 and Total Population, January 1, 2022**

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2021-2022	1-1-21	1-1-22	1-1-2022
Marin				
Belvedere	-1.09	2,103	2,080	2,080
Corte Madera	-1.17	10,147	10,028	10,028
Fairfax	-1.04	7,496	7,418	7,418
Larkspur	-1.28	12,963	12,797	12,797
Mill Valley	-1.09	14,002	13,850	13,850
Novato	-1.06	52,720	52,162	52,441
Ross	-1.24	2,330	2,301	2,301
San Anselmo	-0.99	12,772	12,645	12,645
San Rafael	-1.01	61,179	60,560	60,560
Sausalito	-1.22	7,159	7,072	7,072
Tiburon	-1.20	9,065	8,956	8,956
Unincorporated	-1.21	64,601	63,817	66,987
County Total	-1.11	256,537	253,686	257,135

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