



FAIRFAX TOWN COUNCIL MEETING

STAFF REPORT

MEETING DATE:	July 12, 2023
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 2023-24

RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2023-24. The Town's Fiscal Year 2024 appropriations are estimated to be \$8,173 under the limit, based on the Fiscal Year 2023-24 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 2023-24 is \$7,939,854. Based on the adopted budget for FY 2023-24, the Town is under its limit by \$8,173 (.1%).

FISCAL IMPACT

There is no fiscal impact.

ATTACHMENTS

- A. Resolution with Exhibits A & B. Calculation of Appropriation Limit
- B. California Department of Finance Memo (May 2023)

RESOLUTION 23-__

**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 2023-24**

WHEREAS, the Town Council discussed and reviewed the proposed budget for fiscal year 2023-24 at the Budget Workshop conducted on May 19, 2023, as well as at the Public Hearing on June 7, 2023, and at the Town Council meeting on July 12, 2023,

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 2022-23 was \$7,668,087;
2. During calendar year 2022 the population in Fairfax decreased by .76% and the per capita personal income in California increased by 4.44% resulting in an appropriations limit adjustment factor of 3.65%, as shown in the attached Exhibit A;
3. The appropriation limit for the Town of Fairfax for fiscal year 2023-24 is \$7,948,027, as shown in the attached Exhibit B;
4. The Town is under the appropriation limit for 2023-24 by \$8,173.

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 day of July 2023, by the following vote, to wit:

AYES:
NOES:
ABSENT:

Chance Cutrano, Mayor

Attest: _____
Michele Gardner, Town Clerk

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATION LIMIT**

		PERSONAL		FACTOR	APPROPRIATIONS		
		POP	INCOME		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

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

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

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

**TOWN OF FAIRFAX
CALCULATION OF APPROPRIATIONS LIMIT**

Exhibit B

2022-23	2023-24
per FY23 budget	per FY24 budget

REVENUE:

PROCEEDS OF TAXES

Property Taxes - Secured	1 TAXES	3,383,838	3,450,000
Property Taxes - Unsecured	2 TAXES	6,400	65,000
Property Taxes - Prior	3 TAXES	2,000	5,000
Real Estate Transfer Tax	4 TAXES	67,000	70,000
Cigarette Tax			
Supplemental Property Taxes	6 TAXES	115,900	100,000
ERAF Excess Distribution	7 TAXES	650,000	625,000
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	104,000	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	739,200	800,000
1/2 cent Sales Tax - Prop. 172	13 TAXES	116,820	123,690
Sales Tax - D	14 TAXES	-	-
Sales Tax - C	14 TAXES	950,400	1,044,000
Utility Users Tax - Telecom	15 TAXES	63,000	60,000
Utility Users Tax - Energy	16 TAXES	300,000	300,000
Hotel Users Tax	17 TAXES	17,000	18,000
Business Licenses	21 LICENSES	120,000	100,000
Homeowners Exemption	31 OTHER AGENCIES	13,000	12,450
Other Fed/State County	31 OTHER AGENCIES	-	-
TOTAL PROCEEDS OF TAXES		7,601,758	7,831,050
		89.532%	89.698%

NON PROCEEDS OF TAXES

Garbage	18 FRANCHISE FEES	280,000	260,000
Gas & Electric	19 FRANCHISE FEES	80,000	80,000
Cable	20 FRANCHISE FEES	120,000	128,477
Taxi	FRANCHISE FEES		
Vehicle Code Fines	22 FINES	30,000	20,000
Parking & Other Fines	23 FINES	100,000	60,000
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	200
Police Training Reimbursement (POST)	32 OTHER AGENCIES	9,000	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	6,820	6,820
Recreation Services & Fees	36 CHG FOR CURR SERV	61,208	79,420
SB2 Planning Grant	36 CHG FOR CURR SERV		
Police Dispatch	37 CHG FOR CURR SERV	114,000	127,000
Environmental Grants	34 CHG FOR CURR SERV	40,000	81,000
Miscellaneous - General	33 CHG FOR CURR SERV	32,000	32,000
TOTAL NONPROCEEDS OF TAXES		888,828	899,417

TOTAL REVENUE

8,490,586 **8,730,467**

ALLOCATION OF INTEREST

Interest Income	28 INVESTMENT EARNINGS	19,300	121,300
Interest allocation factor		89.532%	89.698%
ALLOCATION TO Proceeds of Taxes		17,280	108,804

TOTAL PROCEEDS OF TAXES

7,619,038 **7,939,854**

8,509,886 8,851,767

Dear Fiscal Officer:

Subject: Price Factor and Population Information

Appropriations Limit

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, 2023, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2023-24. 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 2023-24 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, 2023.**

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.

JOE SPEPHENSHAW
Director
By:

Erika Li
Chief Deputy Director

Attachment

ATTACHMENT B

- 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 2023-24 appropriation limit is:

Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2023-24	4.44

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2023-24 appropriation limit.

2023-24:

Per Capita Cost of Living Change = 4.44 percent
Population Change = -0.35 percent

Per Capita Cost of Living converted to a ratio: $\frac{4.44 + 100}{100} = 1.0444$

Population converted to a ratio: $\frac{-0.35 + 100}{100} = 0.9965$

Calculation of factor for FY 2023-24: $1.0444 \times 0.9965 = 1.0407$

Fiscal Year 2023-24

Attachment B
Annual Percent Change in Population Minus Exclusions*
January 1, 2022 to January 1, 2023 and Total Population, January 1, 2023

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total Population</u>
	2022-2023	1-1-22	1-1-23	1-1-2023
Marin				
Belvedere	-1.59	2,078	2,045	2,045
Corte Madera	-0.82	9,967	9,885	9,885
Fairfax	-0.76	7,410	7,354	7,354
Larkspur	-1.23	12,728	12,571	12,571
Mill Valley	-1.11	13,817	13,664	13,664
Novato	-1.05	51,648	51,104	51,392
Ross	-0.57	2,280	2,267	2,267
San Anselmo	-0.88	12,515	12,405	12,405
San Rafael	-0.92	60,237	59,681	59,681
Sausalito	-1.29	6,955	6,865	6,865
Tiburon	-1.18	8,903	8,798	8,798
Unincorporated	-1.21	63,474	62,709	66,032
County Total	-1.06	252,012	249,348	252,959

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