



# TOWN OF FAIRFAX

## STAFF REPORT

### August 5, 2015

**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 2015-16

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#### **RECOMMENDATION**

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2015-16. The Town's Fiscal Year 2016 appropriations are estimated to be \$514,821 under the limit, based on the Fiscal Year 2015-16 Adopted Budget.

#### **DISCUSSION**

Article XIII B of the State Constitution (Proposition 4 "The Gann Initiative" passed in 1979), and Proposition 111 (amendments to the Gann Limit, passed in 1990) limit the annual appropriations for State and local governments. The appropriation limit is adjusted annually on the basis of population and per capita income "change factors." These factors are reported to the Town annually by the State Department of Finance (attached as Exhibit A to the Resolution) and reflect changes for the previous calendar year.

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 all tax revenue (property tax, sales tax, etc.) that the General Fund receives.

The Appropriation Limit calculation (attached as Exhibit B to the Resolution) is based on the "change factors" as compared to the appropriations subject to limitation to arrive at the limit for Fairfax. The Appropriation Limit for the Town in Fiscal Year 2015-16 is \$5,584,406. Based on the adopted budget for FY 2015-16, the Town is under its limit by \$514,821.

#### **FISCAL IMPACT**

N/A

#### **ATTACHMENTS**

1. Resolution with exhibits:
  - A. Department of Finance Memo May 2015
  - B. Calculation of Appropriation Limit

RESOLUTION 15-\_\_

**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 2015-16**

**WHEREAS**, the Town Council discussed and reviewed the proposed budget for fiscal year 2015-16 at the budget workshop conducted on May 28, 2015, as well as at the public hearing on June 3, 2015, and at the Town Council meeting on July 15, 2015,

**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 2014-15 was \$5,584,406;
2. During calendar year 2015 the population in Marin County increased by .73% and the per capita personal income in California increased by 3.82% resulting in an appropriations limit adjustment factor of 4.58%, as shown in the attached Exhibit A;
3. The appropriation limit for the Town of Fairfax for fiscal year 2015-16 is \$ 5,584,406, as shown in Exhibit B;
4. The Town is under the appropriation limit for 2015-16 by \$514,821.

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 5th of August 2015, by the following vote, to wit:

AYES:

NOES:

ABSENT:

\_\_\_\_\_  
BARBARA COLER, Mayor

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

**ATTACHMENT**   1



May 2015

Dear Fiscal Officer:

**Subject: Price and Population Information**

**Appropriations Limit**

The California Revenue and Taxation Code, section 2227, mandates 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, 2015, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2015-16. 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 2015-16 appropriations limit. Attachment B provides city and unincorporated county population percentage change. Attachment C provides 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. Consult the Revenue and Taxation Code section 2228 for further information regarding the appropriations limit. Article XIII B, section 9(C), of the State 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 issue should be referred to their respective county for clarification, or to their legal representation, or to 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, 2015.**

**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:

KEELY M. BOSLER  
Chief Deputy Director

Attachment

**EXHIBIT A**

- 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 2015-16 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2015-16	3.82

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2015-16 appropriation limit.

**2015-16:**

Per Capita Cost of Living Change = 3.82 percent  
 Population Change = 0.93 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.82 + 100}{100} = 1.0382$

Population converted to a ratio:  $\frac{0.93 + 100}{100} = 1.0093$

Calculation of factor for FY 2015-16:  $1.0382 \times 1.0093 = 1.0479$

Fiscal Year 2015-16

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2014 to January 1, 2015 and Total Population, January 1, 2015**

County City	<u>Percent Change</u>	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
	2014-2015	1-1-14	1-1-15	1-1-2015
Marin				
Belvedere	0.71	2,106	2,121	2,121
Corte Madera	0.63	9,432	9,491	9,491
Fairfax	0.70	7,581	7,634	7,634
Larkspur	1.48	12,167	12,347	12,347
Mill Valley	0.74	14,333	14,439	14,439
Novato	0.71	52,907	53,285	53,575
Ross	0.73	2,475	2,493	2,493
San Anselmo	0.69	12,583	12,670	12,670
San Rafael	0.60	58,863	59,214	59,214
Sausalito	1.19	7,214	7,300	7,300
Tiburon	0.67	9,139	9,200	9,200
Unincorporated	0.71	63,908	64,364	68,488
County Total	0.73	252,708	254,558	258,972

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

Appropriation Limit Calculation

CALCULATION OF APPROPRIATION LIMIT

	POP		PERS INCOME		FACTOR	LIMIT		APPROPRIATIONS SUBJECT		DIFF
	2009/10	2010/11	2011/12	2012/13		2013/14	2014/15	2015/16	2009/10	
	4,674,332	4,741,426	4,664,034	4,824,120	1.0144	4,741,426	3,983,768	757,658		
	1.0081	1.0062	0.9746	1.0251	0.9837	4,664,034	4,220,320	443,714		
	1.0093	1.0090	1.0251	1.0377	1.0343	4,824,120	4,201,115	623,005		
	1.0105	1.0042	1.0512	1.0382	1.0486	5,058,614	4,459,500	599,114		
	1.0073	1.0073	1.0382	1.0382	1.0556	5,339,949	4,790,385	549,564		
	5,584,406	5,584,406	5,584,406	5,584,406	1.0458	5,584,406	5,069,584	514,821		

POPULATION FACTORS - HIGHER OF:

YEAR ENDED	FAIRFAX		%	COUNTY	
	start	end		start	end
1/1/2009	7,385	7,434	1.0066	251,251	253,287
1/1/2010	7,435	7,492	1.0077	253,271	255,630
1/1/2011	7,433	7,497	1.0086	246,844	249,065
1/1/2012	7,445	7,522	1.0103	247,423	250,024
1/1/2013	7,479	7,499	1.0027	248,608	249,652
1/1/2014	7,581	7,634	1.0070	252,708	254,558

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**

	<b>2013-14</b>	<b>2014-15</b>	<b>2015-16</b>
	per FY14 budget	per FY15 budget	per FY16 budget
<b>REVENUE:</b>			
<b>PROCEEDS OF TAXES</b>			
Property Taxes - Secured	2,042,800	2,110,000	2,270,000
Property Taxes - Unsecured	50,000	50,000	47,700
Property Taxes - Prior	5,000	5,000	5,100
Real Estate Transfer Tax	25,000	50,000	51,500
\$50 General Municipal Services Tax	185,000	-	-
Supplemental Property Taxes	45,000	60,000	61,800
ERAF Excess Distribution	350,000	350,000	400,000
ERAF III Shift to State	-	-	-
Property Tax In-Lieu of VLF (VLF Swap)	560,000	570,000	580,000
Storm Run-Off Fee	57,000	54,000	54,000
In-Lieu Sales Tax (Triple Flip)	140,000	145,000	110,300
Sales Tax - BB	405,000	575,000	475,600
1/2 cent Sales Tax - Prop. 172	60,000	60,000	70,000
Sales Tax - D	329,500	400,000	425,000
Utility Users Tax - Telephone	130,000	120,000	125,000
Utility Users Tax - Energy	240,000	230,000	225,000
Hotel Users Tax	23,500	25,000	25,000
Business Licenses	125,000	125,000	125,000
Vehicle License Fees	1,000	5,000	2,500
Homeowners Exemption	13,000	11,000	13,000
<b>TOTAL PROCEEDS OF TAXES</b>	<b>4,786,800</b>	<b>4,945,000</b>	<b>5,066,500</b>
	89.624%	89.717%	88.124%
<b>NON PROCEEDS OF TAXES</b>			
Garbage	175,000	167,000	160,000
Gas & Electric	60,000	58,000	58,000
Cable	130,000	120,000	130,000
Vehicle Code Fines	25,000	24,000	25,000
Parking & Other Fines	50,000	66,000	90,000
Women's Club and Other	13,000	9,000	11,000
CYO - Pavilion	5,000	5,000	12,000
Pavilion - Other	10,000	21,000	6,000
Pavilion - OCA Net Revenue	1,500	1,500	1,700
Police Training Reimbursement (POST)	10,000	2,000	3,500
Sale Of Maps & Publications	100	1,000	1,000
Special Police Services (includes booking fees)	5,000	10,000	11,000
Recreation Services & Fees			72,000
Police Dispatch	44,000	45,000	54,000
Zero Waste Grant		12,259	12,300
Miscellaneous - General	25,600	25,000	35,300
<b>TOTAL NONPROCEEDS OF TAXES</b>	<b>554,200</b>	<b>566,759</b>	<b>682,800</b>
<b>TOTAL REVENUE</b>	<b>5,341,000</b>	<b>5,511,759</b>	<b>5,749,300</b>
	-	-	-
<b>ALLOCATION OF INTEREST</b>			
Interest Income	4,000	3,500	3,500
Interest allocation factor	89.624%	89.717%	88.124%
ALLOCATION TO Proceeds of Taxes	3,585	3,140	3,084
<b>TOTAL PROCEEDS OF TAXES</b>	<b>4,790,385</b>	<b>4,948,140</b>	<b>5,069,584</b>