



# TOWN OF FAIRFAX

## STAFF REPORT

### July 13, 2016

**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 2016-17

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#### RECOMMENDATION

Adopt the attached resolution determining the Proposition 4 (Gann) Appropriation Limit calculation for Fiscal Year 2016-17. The Town's Fiscal Year 2017 appropriations are estimated to be \$573,930 under the limit, based on the Fiscal Year 2016-17 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 2016-17 is \$5,914,867. Based on the adopted budget for FY 2016-17, the Town is under its limit by \$573,930.

#### FISCAL IMPACT

N/A

#### ATTACHMENTS

1. Resolution with exhibits:
  - A. Department of Finance Memo May 2016
  - B. Calculation of Appropriation Limit

AGENDA ITEM # 4

RESOLUTION 16-\_\_

**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 2016-17**

**WHEREAS**, the Town Council discussed and reviewed the proposed budget for fiscal year 2016-17 at the budget workshop conducted on May 20, 2016, as well as at the public hearing on June 1, 2016, and at the Town Council meeting on July 13, 2016,

**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 corrected appropriation limit for the fiscal year 2015-16 was \$5,594,962;
2. During calendar year 2016 the population in Marin County increased by .33% and the per capita personal income in California increased by 5.37% resulting in an appropriations limit adjustment factor of 5.72%, as shown in the attached Exhibit A;
3. The appropriation limit for the Town of Fairfax for fiscal year 2016-17 is \$ 5,914,867, as shown in Exhibit B;
4. The Town is under the appropriation limit for 2016-17 by \$573,895.

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 13th of July 2016, by the following vote, to wit:

AYES:

NOES:

ABSENT:

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Renée Goddard, Mayor

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

## EXHIBIT A



DEPARTMENT OF  
**FINANCE**  
OFFICE OF THE DIRECTOR

EDMUND G. BROWN JR. • GOVERNOR  
STATE CAPITOL ■ ROOM 1145 ■ SACRAMENTO CA ■ 95814-4998 ■ WWW.DOF.CA.GOV

May 2016

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, 2016, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2016-17. 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 2016-17 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, 2016.**

**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 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 2016-17 appropriation limit is:

Per Capita Personal Income	
Fiscal Year (FY)	Percentage change over prior year
2016-17	5.37

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2016-17 appropriation limit.

**2016-17:**

Per Capita Cost of Living Change = 5.37 percent  
 Population Change = 0.90 percent

Per Capita Cost of Living converted to a ratio:  $\frac{5.37 + 100}{100} = 1.0537$

Population converted to a ratio:  $\frac{0.90 + 100}{100} = 1.0090$

Calculation of factor for FY 2016-17:  $1.0537 \times 1.0090 = 1.0632$

Fiscal Year 2016-17

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2015 to January 1, 2016 and Total Population, January 1, 2016**

County City	<u>Percent Change</u> 2015-2016	<u>--- Population Minus Exclusions ---</u>		<u>Total</u>
		1-1-15	1-1-16	Population 1-1-2016
Marin				
Belvedere	0.42	2,153	2,162	2,162
Corte Madera	-0.01	9,345	9,344	9,344
Fairfax	-0.09	7,433	7,426	7,426
Larkspur	0.60	12,371	12,445	12,445
Mill Valley	0.34	14,830	14,880	14,880
Novato	0.84	54,097	54,550	54,749
Ross	0.24	2,521	2,527	2,527
San Anselmo	0.17	12,845	12,867	12,867
San Rafael	0.12	60,507	60,582	60,582
Sausalito	0.07	7,212	7,217	7,217
Tiburon	0.20	9,484	9,503	9,503
Unincorporated	0.21	64,682	64,815	68,572
County Total	0.33	257,480	258,318	262,274

\*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 APPROPRIATIONS LIMIT**

	<b>2014-15</b>	<b>2015-16</b>	<b>2016-17</b>
	per FY15 budget	per FY16 budget	per FY17 budget
<b>REVENUE:</b>			
<b>PROCEEDS OF TAXES</b>			
Property Taxes - Secured	2,110,000	2,270,000	2,420,000
Property Taxes - Unsecured	50,000	47,700	50,000
Property Taxes - Prior	5,000	5,100	5,000
Real Estate Transfer Tax	50,000	51,500	50,000
\$50 General Municipal Services Tax	-	-	-
Supplemental Property Taxes	60,000	61,800	52,000
ERAF Excess Distribution	350,000	400,000	385,000
ERAF III Shift to State	-	-	-
Property Tax In-Lieu of VLF (VLF Swap)	570,000	580,000	660,000
Storm Run-Off Fee	54,000	54,000	55,000
In-Lieu Sales Tax (Triple Flip)	145,000	110,300	-
Sales Tax - BB	575,000	475,600	638,000
1/2 cent Sales Tax - Prop. 172	60,000	70,000	65,000
Sales Tax - D	400,000	425,000	440,000
Utility Users Tax - Telephone	120,000	125,000	100,000
Utility Users Tax - Energy	230,000	225,000	240,000
Hotel Users Tax	25,000	25,000	32,000
Business Licenses	125,000	125,000	128,000
Vehicle License Fees	5,000	2,500	2,500
Homeowners Exemption	11,000	13,000	13,200
<b>TOTAL PROCEEDS OF TAXES</b>	<b>4,945,000</b>	<b>5,066,500</b>	<b>5,335,700</b>
	89.717%	88.124%	87.859%
<b>NON PROCEEDS OF TAXES</b>			
Garbage	167,000	160,000	190,000
Gas & Electric	58,000	58,000	62,000
Cable	120,000	130,000	150,000
Vehicle Code Fines	24,000	25,000	21,000
Parking & Other Fines	66,000	90,000	95,000
Women's Club and Other	9,000	11,000	13,000
CYO - Pavilion	5,000	12,000	10,000
Pavilion - Other	21,000	6,000	4,000
Pavilion - OCA Net Revenue	1,500	1,700	1,000
Police Training Reimbursement (POST)	2,000	3,500	2,000
Sale Of Maps & Publications	1,000	1,000	1,000
Special Police Services (includes booking fees)	10,000	11,000	15,000
Recreation Services & Fees		72,000	72,000
Police Dispatch	45,000	54,000	54,000
Zero Waste Grant	12,259	12,300	12,300
Miscellaneous - General	25,000	35,300	35,000
<b>TOTAL NONPROCEEDS OF TAXES</b>	<b>566,759</b>	<b>682,800</b>	<b>737,300</b>
<b>TOTAL REVENUE</b>	<b>5,511,759</b>	<b>5,749,300</b>	<b>6,073,000</b>
<b>ALLOCATION OF INTEREST</b>			
Interest Income	3,500	3,500	6,000
Interest allocation factor	89.717%	88.124%	87.859%
ALLOCATION TO Proceeds of Taxes	3,140	3,084	5,272
<b>TOTAL PROCEEDS OF TAXES</b>	<b>4,948,140</b>	<b>5,069,584</b>	<b>5,340,972</b>

Appropriation Limit Calculation

CALCULATION OF APPROPRIATION LIMIT

PERSONAL INCOME		FACTOR		LIMIT	SUBJECT	DIFF
2008/09	1.0429	1.0526	4,674,332			
2009/10	1.0062	1.0144	4,741,426	3,983,768	757,658	
2010/11	0.9746	0.9837	4,664,034	4,220,320	443,714	
2011/12	1.0251	1.0343	4,824,120	4,201,115	623,005	
2012/13	1.0377	1.0486	5,058,614	4,459,500	599,114	
2013/14	1.0512	1.0556	5,339,949	4,790,385	549,564	
2014/15	0.9977	1.0019	5,350,043	4,948,147	401,896	
2015/16	1.0382	1.0458	5,594,962	5,069,584	525,378	
2016/17	1.0537	1.0572	5,914,867	5,340,972	573,895	
2017/18						

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						

POPULATION FACTOR 1 - Higher of:

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

5,594,962  
5,584,406  
10,556

PRICE FACTOR 2 - Higher of:

- 1) Change in Calif per capita personal income OR
- 2) Change in value of commercial building