



FISCAL YEAR 2016 TAX APPROPRIATIONS LIMIT

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Fiscal Year 2015-16 Tax Appropriations Limit

Executive Summary

In November 1979, California voters approved Proposition 4 (the Gann Initiative) and added Article XIII B to the California State Constitution. In 1980, the State Legislature added Division 9 (commencing with Section 7900) to Title I of the Government Code to implement Article XIII B. This legislation required the governing body of each local jurisdiction in California to establish a Tax Appropriations Limit (also referred to as the GANN Limit) on or before June 30 of each year for the following fiscal year. The Tax Appropriations Limit is based on actual appropriations during the State of California Fiscal Year 1978-79 and adjusted each year using population and inflation adjustment factors.

On June 5, 1990, California voters approved Proposition 111, amending Article XIII B. Proposition 111 allows local jurisdictions to choose among measures of inflation and population growth to compute and adjustment factor. The measures for inflation (price factors) include growth in California per capita income or growth in the City's gross assessed valuation due to new non-residential construction; while measures for population growth include population growth within the county or city.

The proposed Tax Appropriations Limit for Fiscal Year 2015-16 is \$455,447,106. In accordance with Proposition 111 guidelines, the Fiscal Year 2015-16 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. (See FY 2015-16 Alternative Adjustment Factors & Calculations of Tax Appropriations Limit Section for factors). The recommended Fiscal Year 2015-16 adjustment factor was calculated using the price factor based on the change in per capita personal income for the state of California (3.82%) and the population factor based on the percent growth in the County's population (0.94%), resulting in an adjustment factor of 1.048. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2015-16 of \$455,477,106, a 4.8% increase over the Fiscal Year 2014-15 Tax Appropriations Limit of \$434,599,992.

The Tax Appropriations Limit does not apply to all City revenues, or all General Fund revenues, but only to proceeds of taxes including property tax, sales tax, transient



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occupancy tax, motor vehicle license fees, and other local taxes, less the amount paid in debt service on both voter approved debt and qualified capital outlays (a fixed asset, including land, with a useful life of more than 10 years and a value that equals or exceeds \$100,000). Other revenues, including fees, licenses and permits, rents and concessions, and inter-fund transfers are not subject to the limit. The Fiscal Year 2015-16 Adopted budget projects the tax appropriations subject to the Tax Appropriations Limit to be \$62.6 million. The projected appropriations subject to the limit are estimated to be approximately \$404.8 million below the recommended limit of \$455,798,014.

FY 2015-16 Alternative Adjustment Factors & Calculations of Tax Appropriations Limit

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculation the Fiscal Year 2015-16 adjustment are as follows:

Price Factors:

(A) Percent growth in State per Capital Personal Income:	3.82%
(Source: Department of Finance, California – Attachment A)	
Price Factor A	1.0382
(B) Percent change in Assessed Valuation in new Non-residential construction:	0.28%
(Source: Napa County Assessor's Office – Attachment B)	
Price Factor B	1.0028



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Population Factors:

(C) Percent growth in County Population : 0.94%
 (Source: Department of Finance, California – Attachment C)
Population Factor C 1.0094

(D) Percent growth in City Population 0.93%
 (Source: Department of Finance, California – Attachment C)
Population Factor D 1.0093

Annual Adjustment Factors:

Based upon the actual data, the four alternative adjustment factors are as follows:

(A x C) = (1.0382 x 1.0094) =	1.0479
(A x D) = (1.0382 x 1.0093) =	1.0478
(B x C) = (1.0028 x 1.0094) =	1.0122
(B x D) = (1.0028 x 1.0093) =	1.0121

The recommended limit was calculated using the adjustment factor (A x C), resulting in a 4.79% increase over the Fiscal Year 2014-15 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.0479 adjustment factor represents the largest allowable increase to the appropriation limit.

Calculation of the Fiscal Year 2015-16 Limit:

Fiscal Year 2015-16 Limit = (FY 2014-15 Limit) x (Recommended Adjustment Factor)
 = (\$434,599,992) x (1.0479) = **\$455,447,106**



Fiscal Year 2015-16 Tax Appropriations Limit

FY 2015-16 Tax Appropriations Subject to the Tax Appropriations Limit

Appropriations Subject to the Tax Appropriations Limit	FY 2015-16 Adopted Budget
Property Tax	27,500,000
Sales Tax <i>(excluding Prop 172)</i>	15,530,000
Business License Tax	3,040,000
Transient Occupancy Tax <i>(excluding Tourism Improvement District)</i>	16,060,000
Real Property Transfer Taxes	475,000
Motor Vehicle License Fee	35,000
Interest Earnings	<u>180,000</u>
Total Unadjusted Appropriations subject to the Limit	[A] 62,820,000

Adjustments for appropriations not subject to the Tax Appropriations Limit

Annual Debt Service for Voter Approved Debt	<u>-</u>
Total Annual Debt Service	[B] -

Qualified Capital Outlays

Fire Station #5	<u>1,804,000</u>
Total Qualified Capital Outlays	[C] 1,804,000

Total Adjustments [D = B + C] **[D] 1,804,000**

Total Adjusted Appropriations subject to the Limit [E = A - D] **[E] 61,016,000**

Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit

Prior Year (FY 2014-15) Tax Appropriations Limit	[F] 434,599,992
Adjustment Factor	[G] 1.048
Tax Appropriations Limit for FY 2015-16 [H = F x G]	[H] 455,447,106
Projected appropriations are below the limit by [I = H - E]	[I] 394,431,106



Fiscal Year 2015-16 Tax Appropriations Limit

**Ten Year History of Price and Population Factors & Tax Appropriations Limits for
Fiscal Years 2006-07 through 2015-16**

Fiscal Year	Price Adjustment		Population Adjustment		Total Adjustment	Appropriations Limit
2006-07	1.0396	x	1.0110	=	1.0510	112,258,077
2007-08	1.1346	x	1.0123	=	1.1486	128,937,435
2008-09	1.1215	x	1.0109	=	1.1337	146,188,912
2009-10	1.0062	x	1.0142	=	1.0205	149,184,037
2010-11	0.9746	x	1.0112	=	0.9855	147,023,183
2011-12	1.3719	x	1.0097	=	1.3852	203,662,156
2012-13	1.5189	x	1.0077	=	1.5306	311,721,456
2013-14	1.2398	x	1.0047	=	1.2456	388,279,584
2014-15	1.1151	x	1.0038	=	1.1193	434,599,992
2015-16	1.0382	x	1.0094	=	1.0480	455,447,106



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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

May 2015

Attachment 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 Population</u>
	2014-2015	1-1-14	1-1-15	1-1-2015
Napa				
American Canyon	0.80	19,989	20,149	20,149
Calistoga	0.79	5,220	5,261	5,261
Napa	0.93	78,242	78,971	78,971
St Helena	2.09	5,941	6,065	6,065
Yountville	1.49	2,017	2,047	3,017
Unincorporated	0.80	25,480	25,684	26,899
County Total	0.94	136,889	138,177	140,362

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

**2015-2016 NAPA COUNTY ASSESSMENT ROLL - CITIES
WITH COMPARISON TO 2014-2015**

	LAND	IMPROVEMENTS	PERS PROP	TOTAL BEFORE EX	NON H/O EX	TOTAL	HOMEOWN EX	NET TOTAL
2015-2016	\$13,357,993,724	\$19,048,736,682	\$1,305,029,755	\$33,711,760,161	\$1,001,805,034	\$32,709,955,127	\$153,863,683	\$32,556,091,444
2014-2015	\$12,362,124,449	\$18,093,734,335	\$1,270,934,042	\$31,726,792,826	\$980,498,696	\$30,746,294,130	\$154,468,846	\$30,591,825,284
Difference	\$995,869,275	\$955,002,347	\$34,095,713	\$1,984,967,335	\$21,306,338	\$1,963,660,997	(\$605,163)	\$1,964,266,160
NET INCREASE IN ASSESSED VALUES (WITHOUT UTILITY ROLL) FOR NAPA COUNTY						6.39% {4.34%/5.34%/2.06%/1.00%}		
TOTAL NUMBER OF SECURED ASSESSMENTS				51,301				
TOTAL NUMBER OF UNSECURED ASSESSMENTS				7,005				
CITY OF NAPA			2015-2016	\$10,406,262,268				
			2014-2015	\$9,787,994,372				
NET INCREASE				\$618,267,896	% INCREASE	6.32% {6.18%/5.2%/1.13%/0.27%}		

NON-RESIDENTIAL NEW CONTRUCTION GROWTH BY YEAR

INCREASE FOR	CITY OF NAPA
1990 TO 1991	\$ 31,144,426
1991 TO 1992	\$ 5,646,244
1992 TO 1993	\$ 3,842,574
1993 TO 1994	\$ 6,641,575
1994 TO 1995	\$ 43,153,626
1995 TO 1996	\$ 19,901,466
1996 TO 1997	\$ 24,654,950
1997 TO 1998	\$ 16,154,473
1998 TO 1999	\$ 41,968,989
1999 TO 2000	\$ 16,541,352
2000 TO 2001	\$ 67,626,929
2001 TO 2002	\$ 58,175,387
2002 TO 2003	\$ 50,575,650
2003 TO 2004	\$ 26,761,614
2004 TO 2005	\$ 47,902,724
2005 TO 2006	\$ 25,960,186
2006 TO 2007	\$ 106,537,701
2007 TO 2008	\$ 42,193,958
2008 TO 2009	\$ 59,198,165
2009 TO 2010	\$ 60,274,635
2010 TO 2011	\$ 8,766,882
2011 TO 2012	\$ 51,024,455
2012 TO 2013	\$ 132,864,929
2013 TO 2014	\$ 65,543,664
2014 TO 2015	\$ 29,295,124