



FISCAL YEAR 2021 TAX APPROPRIATIONS LIMIT

- Executive Summary
- FY 2020/21 Tax Appropriations Subject to the Tax Appropriations Limit
- Ten-Year History of Price and Population Factors and Tax Appropriations Limits
- Price and Population Information



Fiscal Year 2020/21 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 2020/21 is \$530,481,309. In accordance with Proposition 111 guidelines, the Fiscal Year 2020/21 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. The recommended Fiscal Year 2020/21 adjustment factor was calculated using the price factor based on the change in the per capital personal income in California (3.73%) and the population factor based on the percent growth in the City's population (-0.57%), resulting in an adjustment factor of 1.031. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2020/21 of \$530,481,309; a 3.14% increase over the Fiscal Year 2019/20 Tax Appropriations Limit of \$514,321,628.

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 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,



Fiscal Year 2020/21 Tax Appropriations Limit

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 2019/20 Adopted budget projects the tax appropriations subject to the Tax Appropriations Limit to be \$71.45 million. The projected appropriations subject to the limit are estimated to be approximately \$459.03 million below the recommended limit of \$530,481,309.



Fiscal Year 2020/21 Tax Appropriations Limit

FY 2020/21 Tax Appropriations Subject to the Tax Appropriations Limit

Appropriations Subject to the Tax Appropriations Limit	FY 2020/21 Adopted Budget
Property Tax	38,568,000
Sales Tax <i>(excluding Prop 172)</i>	15,887,000
Business License Tax	3,816,000
Transient Occupancy Tax <i>(excluding Tourism Improvement District)</i>	11,765,000
Real Property Transfer Taxes	576,000
Motor Vehicle License Fee	37,000
Interest Earnings (on proceeds of taxes)	747,415
Total Unadjusted Appropriations subject to the Limit	[A] 71,396,415
Adjustments for appropriations not subject to the Tax Appropriations Limit	
Annual Debt Service for Voter Approved Debt	-
Total Annual Debt Service	[B] -
Qualified Capital Outlays	
Total Qualified Capital Outlays	[C] -
Total Adjustments [D = B + C]	[D] -
Total Adjusted Appropriations subject to the Limit [E = A - D]	[E] 71,396,415
Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit	
Prior Year (FY 2019/20) Tax Appropriations Limit	[F] 514,321,628
Adjustment Factor	[G] 1.0314
Tax Appropriations Limit for FY 2020/21 [H = F x G]	[H] 530,481,309
Projected appropriations are below the limit by [I = H - E]	[I] 459,084,894



Fiscal Year 2020/21 Tax Appropriations Limit

Ten Year History of Price and Population Factors & Tax Appropriations Limits for Fiscal Years 2011/12 through 2020/21

<u>Fiscal Year</u>	<u>Price Adjustment</u>		<u>Population Adjustment</u>		<u>Total Adjustment</u>	<u>Appropriations Limit</u>
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
2016/17	1.0537	x	1.0203	=	1.0751	489,658,157
2017/18	1.0006	x	1.0369	=	1.0376	508,054,206
2018/19	1.0067	x	0.9972	=	1.0038	510,009,935
2019/20	1.0085	x	0.9999	=	1.0085	514,321,628
2020/21	1.0373	x	0.9943	=	1.0314	530,481,309