

## CALCULATION OF 2014-15 APPROPRIATIONS LIMIT

<b>2013-14 APPROPRIATIONS LIMIT ADOPTED BY THE CITY COUNCIL</b>	\$ 4,786,591,114
Adjustments to Adopted 2013-14 Appropriation Limit per AUP*	(265,923,719)
<b>2013-14 Adjusted Appropriations Limit</b>	<u>\$ 4,520,667,395</u>

Factors used - see Attachment 3 as indicated:

- |    |  |        |
|----|--|--------|
| 1. | Population (paragraph B.1): City   | 1.00%  |
| 2. | California per capita personal income or nonresidential new construction assessed valuation (paragraph B.2): California per capita personal income** | -0.23% |
| 3. | Total Annual Adjustment Factor***  | 1.0077 |

Annual Adjustment	\$ 34,705,164
\$ 4,520,667,395 x 1.007677	<u>\$ 4,555,372,559</u>

<b>2014-15 APPROPRIATIONS LIMIT</b>	<u>\$ 4,555,372,559</u>
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\* Adjustments are made per Agreed Upon Procedure. The adjustments take into account an adjustment to FY 2011-12 appropriations limit of (\$302,588,730). In addition, in FY 2012-13, the City used a Population Change Factor of .43% and the Department of Finance used .50% resulting in an ending difference of (\$292,993,114). As such, adjustments are made to reflect the changes in appropriations limit for FY 2011-12 and 2012-13. Adjustments are consistent with the reports provided by the City's Independent Accountant's report on the Application of Agreed-Upon Procedures Related to the Article XIII-B Appropriations Limit Calculation.

\*\* A methodology must be determined (which may require clarifying State legislation) in order to prescribe factors to determine the change in nonresidential new construction assessed valuation.

\*\*\* Total Annual Adjustment Factor was derived as follows:

Population Change converted to a ratio:	( 1.00 + 100)/100=	1.01000000
California Per Capita Income Change converted to a ratio:	( -0.23 + 100)/100=	0.99770000
Calculation of Total Annual Adjustment Factor:	1.01 x 0.9977	1.00767700

<b>2014-15 APPROPRIATIONS LIMIT</b>	\$ 4,555,372,559
<b>2014-15 BUDGET APPROPRIATIONS SUBJECT TO LIMITATION</b>	3,697,158,083
<b>DIFFERENCE</b>	<u>\$ 858,214,476</u>

**2014-15 BUDGET APPROPRIATIONS  
SUBJECT TO LIMITATION**

	<b>2014-15 Budget</b>	<b>Non Proceeds of Taxes</b>	<b>Proceeds of Taxes</b>
<b>General Receipts:</b>			
Property Tax and State Replacement - 1% Fund.....	\$ 1,644,811,000	\$ -	\$ 1,644,811,000
Property Tax - Ex-CRA Increment.....	48,023,000		48,023,000
Utility Users' Tax.....	631,850,000	--	631,850,000
Licenses, Permits, and Fees.....	830,285,944	830,285,944	--
Business Tax.....	459,500,000	--	459,500,000
Sales Tax.....	374,100,000	--	374,100,000
Documentary Transfer Tax.....	196,800,000	--	196,800,000
Power Revenue Transfer.....	261,000,000	--	261,000,000
Transient Occupancy Tax.....	194,100,000	--	194,100,000
Parking Fines.....	165,191,457	165,191,457	--
Parking User Tax.....	98,400,000	--	98,400,000
Franchise Income.....	43,153,000	43,153,000	--
State Motor Vehicle License Fees.....	1,700,000	--	1,700,000
Grant Receipts.....	10,240,000	10,240,000	--
Tobacco Settlement.....	9,106,000	9,106,000	--
Transfer from Telecommunications Development Account.....	5,077,022	5,077,022	--
Residential Development Tax.....	3,280,000	--	3,280,000
Special Parking Revenue Transfer.....	30,635,342	30,635,342	-
Interest.....	13,491,000	3,182,873	10,308,127
Transfer from Reserve Fund.....	117,546,306	117,546,306	--
Transfer from Budget Stabilization Fund.....	--	--	--
Transfer from Tax Reform Fund.....	--	--	--
<b>Total General Receipts.....</b>	<b>\$ 5,138,290,071</b>	<b>\$ 1,214,417,944</b>	<b>\$ 3,923,872,127</b>

**Special Funds:**

	<b>2014-15 Budget</b>	<b>Non Proceeds of Taxes</b>	<b>Proceeds of Taxes</b>
Property Tax and State Replacement .....	\$ 148,889,669	\$ -	\$ 148,889,669
Sewer Construction and Maintenance Fund.....	757,832,209	757,832,209	--
Proposition A Local Transit Assistance Fund.....	148,861,089	148,861,089	--
Proposition C Anti-Gridlock Transit Improvement Fund .....	71,137,883	71,137,883	--
Special Parking Revenue Fund.....	43,952,113	43,952,113	--
Los Angeles Convention and Visitors Bureau Trust Fund.....	14,931,000	14,931,000	--
Solid Waste Resources Revenue Fund.....	326,463,021	326,463,021	--
Fines--State Vehicle Code.....	7,260,000	7,260,000	--
Special Gas Tax Street Improvement Fund.....	115,200,000	115,200,000	--
Housing Dept. Affordable Housing Trust Fund.....	1,000,000	1,000,000	--
Stormwater Pollution Abatement Fund.....	30,915,831	30,915,831	--
Community Development Trust Fund.....	22,495,657	22,495,657	--
HOME Investment Partnerships Program Fund.....	5,018,122	5,018,122	-
Mobile Source Air Pollution Reduction Trust Fund.....	4,698,000	4,698,000	--
City Employees Retirement Fund.....	93,718,332	93,718,332	--
Community Services Administration Grant.....	1,596,503	1,596,503	--
Park and Recreational Sites and Facilities Fund.....	2,000,000	--	2,000,000
Convention Center Revenue Fund.....	8,622,230	8,622,230	--
Local Public Safety Fund.....	40,750,000	40,750,000	--
Neighborhood Empowerment Fund.....	5,567,617	5,567,617	--
Street Lighting Maintenance Assessment Fund.....	54,102,520	54,102,520	--
Telecom. Liquidated Damages and Lost Franchise TDA	21,895,235	21,895,235	--
Older Americans Act Fund.....	2,746,480	2,746,480	--
Workforce Investment Act.....	16,822,900	16,822,900	--
Rent Stabilization Trust Fund.....	14,571,450	14,571,450	--
Arts and Cultural Facilities and Services Trust Fund.....	15,273,725	15,273,725	--
Arts Development Fee Trust Fund.....	1,222,680	1,222,680	--
City Employees Ridesharing Fund.....	3,527,100	3,527,100	--
Allocations from other sources.....	36,758,967	36,758,967	--
City Ethics Commission Fund.....	2,730,673	2,730,673	--

Staples Arena Special Fund.....	6,030,000	6,030,000	--
Citywide Recycling Fund.....	21,506,000	21,506,000	--
Special Police Communications/911 System Tax Fund.....	10,000	--	10,000
Local Transportation Fund.....	4,361,605	4,361,605	--

	2014-15 Budget	Non Proceeds of Taxes	Proceeds of Taxes
Planning Case Processing Revenue Fund.....	19,920,398	19,920,398	-
Disaster Assistance Trust Fund.....	56,850,000	56,850,000	--
Landfill Maintenance Special Fund.....	4,599,748	4,599,748	--
Household Hazardous Waste Special Fund.....	3,393,000	3,393,000	--
Building and Safety Enterprise Fund.....	135,690,771	135,690,771	--
Housing Opportunities for Persons with AIDS Fund.....	782,849	782,849	--
Code Enforcement Trust Fund.....	32,745,806	32,745,806	--
El Pueblo de Los Angeles Historical Monument Revenue Fund.....	4,754,000	4,754,000	--
Zoo Enterprise Trust Fund.....	19,324,665	19,324,665	--
Local Law Enforcement Block Grant Fund.....	--	--	--
Supplemental Law Enforcement Services Fund.....	5,051,500	5,051,500	--
Street Damage Restoration Fee Special Fund.....	8,014,000	8,014,000	--
Municipal Housing Finance Fund.....	3,274,000	3,274,000	--
Measure R Traffic Relief and Rail .....	44,974,000	44,974,000	--
Efficiency and Police Hires Fund.....	--	--	--
Central Recycling and Transfer Fund.....	3,553,421	3,553,421	--
Multi-Family Bulky Item Fund.....	6,450,000	6,450,000	--
Available Balances.....	582,806,097	582,806,097	--
Total Special Receipts.....	<u>\$2,984,652,866</u>	<u>\$2,833,753,197</u>	<u>\$ 150,899,669</u>
<b>Total</b>	<u><u>\$8,122,942,937</u></u>	<u><u>\$4,048,171,141</u></u>	<u><u>\$4,074,771,796</u></u>

**Less: Appropriations Not Subject to Limitation**

## A. Debt Service on: (supported by taxes)

1. General Obligation Bonds	\$ (148,889,669)
2. Reserve for Special Police/9-1-1 System Bonds	(10,000)

## B. Federal Mandates:

1. Medicare for New Employees	(40,489,735)
2. Fire-Fair Labor Standards Act overtime costs - Firefighters & Civilian	(61,519,350)
3. Police-Fair Labor Standards Act overtime costs - Sworn & civilian	(22,426,165)
4. Unemployment Compensation	(5,000,000)
5. Social Security for employees not in retirement system	(1,518,968)
6. Pensions Savings Plan	(2,075,323)

## C. Capital Outlay Projects (fixed assets of \$100,000 or more with a useful life of 10 years or more):

1. Capital Improvement Expenditure Program:	
a. General Fund - Municipal Facilities Projects	(9,612,000)
b. Park and Recreational Sites and Facilities Fund	(2,000,000)
c. General Fund - Physical Plant Projects	-
2. Capital Finance Administration Program	(35,786,758)
3. Lease Obligation to Convention Center Authority (General Fund financing)	(48,285,745)

**2014-15 BUDGET APPROPRIATIONS SUBJECT TO LIMITATION**\$3,697,158,083

**CITY OF LOS ANGELES**  
Calculation of Appropriations (Gann) Limit  
(Article XIII B of the State Constitution)

**A. Determination of Base Year**

1. **Original Determination.** The December 4, 1980 report from the City Administrative Officer (CAO File No. 0230-02771), adopted by City Council December 22, 1980 (C.F. 78-5568 S2) and concurred in by the Mayor December 30, 1980 was the basis for the original determination of the base year.
2. **Contributions to Retirement - Santa Barbara Taxpayers Association versus County of Santa Barbara** (194 Cal. App. 3d 674--review denied November 18, 1987). Assumption #3, Attachment I of December 4, 1980 report was negated by this case whereby it was determined that contributions to a retirement fund constitute appropriations subject to limitation and are not considered "indebtedness" -- the City had previously deducted contributions necessary to meet any unfunded liability existing at January 1, 1979. Similarly, payments for leasebacks are not considered "indebtedness". Attachment 3, sections D and E under "LESS APPROPRIATIONS NOT SUBJECT TO LIMITATION" are added back.
3. **Water and Power Revenue Transfers.** Assumption #2, Attachment 1 indicates that transfers of surplus funds from the Water and Power Department are "proceeds of taxes" except for reimbursement for services provided. An annual review is conducted to ascertain the costs of services provided to the Department of Water and Power by the Controller, Treasurer, and Personnel Departments.
4. **May Adopted City Budget.** The City adopted the 1978-79 Budget in compliance with Charter requirements that a budget must be adopted by the Council by June 1. Assumption #1, Attachment 1, indicates that the adopted budget was used to determine appropriations subject to limitation for 1978-79. This was the conclusion of the City Attorney in a February 15, 1979 report to the City Administrative Officer (page 19) that "... any authorization which existed during the fiscal year 1978-79, including the Budget in effect until July 24, 1978 and interim appropriations during the same fiscal year from the Reserve Fund subsequent to the adoption of the Budget, would be considered appropriations subject to limitation' within the meaning of Subsection (b)" of Section 8.
5. **Interim Authorizations added to base.** Council File 78-5568 and S1, adopted by the Council on June 25, 1979 provided for various appropriations which added to the 1978-79 base as follows (see Attachment 3 for additions):

- a. Excess General Fund revenues subject to limitation. The total appropriation of \$40,470,163.89 was reduced to \$30,246.692 by applying a factor of 88.5% to the interest earnings portion.
  - b. The end-of-year Reserve Fund transfer of \$971,614.94 was reduced to \$859,879 by applying a factor of 88.5%.
  - c. For-Hire Trucking revenues of \$8,310.75 exceeding the budget were appropriated.
  - d. Section B is self-explanatory. Section C includes over 30 items that were appropriated from the Reserve Fund throughout the year, exclusive of appropriations for non-limited items (primarily grant advances), for a total of \$9,118,967. Section D is self-explanatory.
6. **Franchise Fees - Santa Barbara County Taxpayers Association versus Santa Barbara County** (209 Cal. App. 3d 940 -- review denied 1989). This case determined that franchise fees are not "proceeds of taxes". In light of this decision, the base was reduced by eliminating the amount budgeted for Franchise Income (\$3,549,000) and excess General Fund revenues attributable to Franchise Income (revenues of \$4,510,290 exceeded the budget estimate of \$3,549,000 by \$961,290). It is noted that these adjustments do not impact the factor of 88.5% which is applied to interest earnings, etc.
7. **Revised Base Year.** The base year is revised as follows:

APPROPRIATIONS SUBJECT TO LIMITATION		
December 4, 1980 Report		\$ 763,061,903
Paragraph 2 above - D.1.		28,558,915
- D.2.		73,878,573
- E.1.		2,558,130
- E.2.		4,700,000
- E.3.		1,966,045
Paragraph 6 above		<u>(4,510,290)</u>
REVISED BASE	1978-79	<u>\$ 870,213,276</u>

**B. Annual Adjustments**

- 1. Population. Prior to the passage of Proposition 111 on the June 5, 1990 ballot, the change in the City population was used as an adjustment factor each year. Proposition 111 provides that the City may choose either the increase in the City or County population. For 1990-91, the 1986-87 limit is adjusted for factors up to 1990-91.

The State Department of Finance provides a population number and the population percent change factor each May 1. However, the population number is usually adjusted the following year, creating an erosion as the adjustment is generally upward. Below is a listing of adjusted population amounts through 1989 reported by the State Department of Finance. The amounts after 1989 should be adjusted at such time as the City recalculates the limit for all years after that date (when factors are available for the change in nonresidential new construction - see paragraph 2).

Year (As of January 1)	CITY		COUNTY	
	Amount	% Change	Amount	% Change
1978	2,899,690			
1979	2,930,267	1.05		
1980	2,953,310	0.79		
1981	2,978,607	0.86		
1982	3,010,172	1.06		
1983	3,062,957	1.75		
1984	3,103,774	1.33		
1985	3,146,314	1.37		
1986	3,249,047	3.27	8,228,477	
1987	3,313,074	1.97	8,400,370	2.09
1988	3,365,380	1.58	8,532,396	1.57
1989	3,395,273	0.89	8,632,069	1.17
1990 Unadj.	3,428,770	0.99	8,749,615	1.36
1991	3,531,757	3.00	8,964,736	2.46
1992	3,574,521	1.21	9,065,427	1.12
1993	3,602,526	.78	9,139,357	.81
1994	3,615,698	.36	9,208,731	.76
1995	3,590,357	(.71)	9,229,730	.23
1996	3,635,515	1.28	9,356,784	1.38
1997	3,679,165	1.20	9,476,976	1.28
1998	3,719,925	1.11	9,590,909	1.20
1999	3,778,539	1.58	9,744,931	1.61
2000	3,820,095	1.10	9,871,788	1.30
2001	3,799,854	(.53)	9,790,152	(.83)
2002	3,804,063	0.11	9,811,918	0.22
2003	3,862,134	0.15	9,968,146	0.16
2004	3,910,607	1.26	10,092,305	1.24
2005	3,956,666	1.18	10,216,040	1.18
2006	3,974,892	0.46	10,235,632	0.78
2007	3,991,768	0.99	10,263,866	0.72
2008	4,041,183	1.24	10,352,128	0.86
2009	4,061,730	1.09	10,382,451	0.90
2010	4,090,497	1.08	10,430,366	0.83
2011	3,805,881	(6.96)	9,848,442	(0.06)
2012	3,822,324	0.43	9,874,366	0.26

2013	3,822,324	0.43	9,874,366	0.26
2014	3,901,605	1.00	10,031,664	0.78

2. Cost of Living. Prior to the passage of Proposition 111 on the June 5, 1990 ballot, the lesser of the United States cost of living (CPI) or California per capita personal income change was used for the annual calculation. Proposition 111 provides that the City may choose either the California per capita personal income change or the change in nonresidential new construction on the local assessment roll; for 1990-91, the 1986-87 limit is adjusted for factors up to 1990-91. The following is a listing of the annual factors provided by the State Department of Finance:

Year	Lesser Factor	% Change	Per Capita Income % Change	
1979-80	CPI	10.17		
1980-81	Per Capita Income	12.11		
1981-82	Per Capital Income	9.12		
1982-83	CPI		6.79	
1983-84	Per Capita Income	2.35		
1984-85	CPI		4.74	
1985-86	CPI		3.74	
1986-87	CPI		2.30	
1987-88	CPI		3.04	3.47
1988-89	CPI		3.93	4.66
1989-90	CPI		4.98	5.19

Use either Per Capital Income or  
Nonresidential New Construction

1990-91	Per Capita Income	4.21
1991-92	Per Capita Income	4.14
1992-93	Per Capita Income	(0.64)
1993-94	Per Capita Income	2.72
1994-95	Per Capita Income	0.71
1995-96	Per Capita Income	4.72
1996-97	Per Capita Income	4.67
1997-98	Per Capita Income	4.67
1998-99	Per Capita Income	4.15
1999-00	Per Capita Income	4.53
2000-01	Per Capita Income	4.91
2001-02	Per Capita Income	7.82
2002-03	Per Capita Income	(1.27)
2003-04	Per Capita Income	2.31
2004-05	Per Capita Income	3.28
2005-06	Per Capita Income	5.26

2006-07	Per Capita Income	3.96
2007-08	Per Capita Income	4.42
2008-09	Per Capita Income	4.29
2009-10	Per Capita Income	0.62
2010-11	Per Capita Income	(2.54)
2011-12	Per Capita Income	2.51
2012-13	Per Capita Income	3.77
2013-14	Per Capita Income	5.12
2014-15	Per Capita Income	(0.23)

**Note:** A methodology must be determined, which may require clarifying legislation, prior to calculating factors for the change in nonresidential new construction. Some of the methods advanced appear to be unrealistic (e.g., determining the growth only for those properties experiencing growth and ignoring the total base).

3. Annexations. Annually the appropriations limit is adjusted to reflect the negotiated property tax transfer with the County or other jurisdiction for annexations, de-annexations, or other jurisdictional changes. Such changes have not been significant to date.
4. Transfer from "Proceeds of taxes" to fees. When a new fee is imposed for an existing service or a fee is increased to recover a proportionally greater amount of the cost of a service, the appropriations limit must be reduced since it is presumed that "proceeds of taxes" are being replaced with fees to finance the service. The methodology used to reduce the limit is to deduct the year-to-year increase in the cost of the service from the increase in revenues from fee increase adjustments or the prior year cost of the service from the new fee.
5. Transfer of Financial Responsibilities. Whenever the financial responsibility of providing a service is transferred between governmental agencies, they are supposed to adjust their limits by an agreed upon amount. In practice, however, the agency that is to adjust its limit downward very likely will not agree to an amount. The City may be able to adjust its limit for such transfers in the future, e.g., the transfer of the financial responsibility of property tax administration and booking of prisoners which occurred in 1990-91.

**C. Appropriations Subject to Limitation -- Reserve Fund Transfers**

The December 4, 1980 report from the City Administrative Officer and subsequent reports through 1988-89 counted transfers from the Reserve Fund either as part of the Budget (proportionately, as a ratio of General Fund "proceeds of taxes" to total General Fund revenues) or on an interim basis against the appropriations limit. In response to a request from the City Administrative Officer, the City Attorney reported (Opinion No. 88:23, January 26, 1989) that transfers from the Reserve Fund (or by inference, the use of any available balance) do not count against the appropriations limit. All excess



revenues (the amount above the Budget estimate) continue to be counted against the limit in the year received when they are appropriated.

**D. Calculations for Annual Appropriations Limit**

Calculations for the annual appropriations limit are as follows:

REVISED BASE 1978-99 (see paragraph A.7.)		\$ 870,213,276
1979-80	Population Change - 1.05% times CPI Change - 10.17%	11.33%
		<u>\$ 968,808,440</u>
	Reduction in limit due to change in financing from other revenues to user charges:	
	(1) Harbor Fire Protection. Budget revenues (\$1,650,000) less difference between 1979-80 cost (\$4,203,704 and 1978-79 cost (\$3,847,469)	(1,293,795)
	(2) Animal Regulation - dog license late payment fee (new)	(260,000)
		<u>\$ 967,254,675</u>
1980-81	Population Change - 0.79% times Per Capita Personal Income Change - 12.11%	13.00%
		<u>\$ 1,092,997,783</u>
	Add Property Tax transfers for annexations	3,224
		<u>\$ 1,093,001,007</u>
1981-82	Population Change - 0.86% times Per Capita Personal Income Change - 9.12%	10.6%
		<u>\$ 1,202,956,908</u>
	Reduction in limit due to change in financing from other revenues to user charges:	
	(1) Harbor Fire Protection. Increased Budget revenues (\$2,350,000) less difference between 1981-82 cost (\$5,100,000) and 1980-81 cost (\$4,412,619)	\$ (1,662,619)
	(2) Additional Planning fees (new)	(440,000)
		<u>\$ 1,200,854,289</u>

1982-83	Population Change - 1.06% times CPI Change - 6.79%	<u>7.92%</u> <u>\$ 1,295,961,949</u>
	Add Property Tax transfer for annexation. Reduction in limit due to change in financing from other revenues to user charges:	
	(1) Harbor Fire Protection. Increased revenues (\$1,652,000) less difference between 1982-83 cost (\$5,652,000) and 1981-82 cost (\$5,429,378)	(1,429,378)
	(2) Police Burglar Alarm Fees	<u>(500,000)</u>
		<u>\$ 1,294,040,525</u>
1983-84	Population Change - 1.75% times Per Capita Personal Income Change - 2.35%	<u>4.14%</u> <u>\$ 1,347,613,803</u>
	Add Property Tax transfer for annexations Reduction in limit due to change in financing from other revenues to user charges -- Police Burglar Alarm Fees	\$ 23,376  <u>(1,500,000)</u>
		<u>\$ 1,346,137,179</u>
1984-85	Population Change - 1.33% times CPI Change - 4.74%	<u>6.13%</u> <u>\$ 1,428,655,388</u>
	Adjust for Property Tax transfers for annexations	<u>(14,153)</u>
		<u>\$ 1,428,641,235</u>
1985-86	Population Change - 1.37% times CPI Change - 3.74%	<u>5.16%</u> <u>\$ 1,502,359,123</u>
1986-87	Population Change - 3.27% times CPI Change - 2.30%	<u>5.65%</u> <u>\$ 1,587,242,413</u>
1991-92	City Population Change - 3.% times Per Capita Personal Income Change - \$4.14%	<u>7.26%</u>

\$ 2,149,597,445

Reduction in limit due to change in financing  
from other revenues to user charges -  
Stormwater Pollution Abatement Charge for  
flood control program

(5,217,509)  
\$ 2,144,379,936

1992-93 City Population Change - 1.21% times  
Per Capita Personal Income Change -  
(-0.64)%

0.56%  
\$ 2,156,388,427

1993-94 County Population Change - 0.81% times  
Per Capita Personal Income Change -  
2.72%

3.55%  
\$ 2,232,940,188

Reduction in limit due to change in financing  
from other revenues to user charges:

- (1) Sanitation Equipment Charge increase (20,900,000)
- (2) Water and Electricity -
  - (a) Transfer of Fire Hydrant Service to  
Department of Water and Power (5,164,000)
  - (b) Transfer of Traffic Signal and  
Utilitarian Lighting costs to  
Department of Water and Power (6,134,129)
  - (c) Transfer of General Benefit Lighting  
costs to Department of Water  
and Power (763,875)

\$ 2,199,978,184

1994-95 County Population Change - 0.76% times  
Per Capita Personal Income Change - 0.71%

1.48%  
\$ 2,232,537,877

Reduction in limit due to change in financing  
from other revenues to user charges:

- Water and Electricity -
  - a. Transfer of General Benefit Lighting Costs  
to Department of Water and Power (763,875)
  - b. Transfer of Public Property Lighting to  
Street Lighting Assessments (670,000)

\$ 2,231,104,002