

Council Meeting  
June 5, 2012

Honorable Mayor and Members  
of the City Council  
City Hall  
Torrance, California

Members of the City Council:

**SUBJECT: Finance - Adopt Resolution approving Fiscal Year 2012-13  
Appropriations Limit and Selection of the Annual Adjustment Factors.**

### **RECOMMENDATION**

Recommendation of the Finance Director that Council adopt a **RESOLUTION** approving the City of Torrance appropriations limit for fiscal year 2012-13 in the amount of \$2,190,970,024; and selection of the percentage change in California Per Capita Personal Income as the cost of living factor, together with the increase in the County's population, as the annual adjustment factors for the same fiscal year.

### **BACKGROUND**

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 which can be spent by all entities of government. The limit applies only to revenues considered as proceeds of taxes. 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.

In order to deal with an increasing number of complaints about the restrictions of Proposition 4, and to increase the accountability of local government in adopting their limits, the voters approved, in June 1990, Proposition 111, which amended Proposition 4 and its implementing legislation.

### **ANALYSIS**

Under Proposition 111, each City has the option to choose not only its own population growth factor but also the population growth factor within its county.

Moreover, the cost of living factor may either be the change in the California per capita personal income or the percentage change in the jurisdiction's assessed valuation, which is attributable to non-residential new construction. Both of these selections require a recorded vote of the City's governing body.

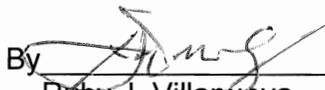
Analysis of available data indicated that selection of the percentage change in the California per capita personal income, together with the increase in the population of the County of Los Angeles, would give the most beneficial result for the City. Using these growth factors, the appropriations limit for fiscal year 2012-13 would be \$2,190,970,024. This calculated limit is 1567%, or \$2,059,553,897 more than the projected appropriations subject to limitations of \$131,416,127 as shown on Worksheet #4.

The legislation requires that 15 days prior to adoption of the resolution, the documentation used in the determination of the appropriations limit should be made available to the public. The data supporting the attached resolution has been on file in the City Clerk's office since May 15, 2012 and a public notice was posted in the Daily Breeze on May 21, 2012.

Respectfully submitted,

Eric E. Tsao  
Finance Director

By

  
\_\_\_\_\_  
Ruby J. Villanueva  
Accountant

CONCUR:



\_\_\_\_\_  
Eric E. Tsao  
Finance Director



\_\_\_\_\_  
LeRoy J. Jackson  
City Manager

Attachments:

- A. Resolution
- B. Dept of Finance Price & Population Information dated May 2012
- C. Worksheets 1-7b for Fiscal Year 2012-13

**RESOLUTION NO.****A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE  
APPROVING THE 2012-13 APPROPRIATIONS LIMIT AND SELECTION OF  
THE ANNUAL ADJUSTMENT FACTORS FOR THE SAME FISCAL YEAR**

**WHEREAS**, the voters of the State of California on November 6, 1979, added Article XIII B to the State Constitution, placing various limitations on the appropriations of the State and local governments; and

**WHEREAS**, in June 1990, the voters of the State of California approved Proposition 111, permitting entities of government to select alternative growth factors by a recorded vote of its governing body; and

**WHEREAS**, the City of Torrance has complied with all the provisions of Article XIII B, as amended by Proposition 111, in determining the appropriations limit for fiscal year 2012-13; and

**WHEREAS**, all calculations for fiscal year 2012-13 were necessary to arrive at an accurate limit; and

**WHEREAS**, all calculations necessary to arrive at the appropriations limit are attached as Worksheets 1 through 7B for fiscal year 2012-13;

**NOW, THEREFORE**, the City Council of the City of Torrance does hereby resolve that:

- (1) It selects the following growth factors for fiscal year 2012-13

Population Factor	Inflation Factor
<u>(County)</u>	<u>(Increase in California Per Capita Personal Income)</u>
0.38%	3.77%

- (2) It accepts the appropriations limit for fiscal year 2012-13 in the amount of \$2,190,970,024

Introduced, approved, and adopted this 5th day of June, 2012.

\_\_\_\_\_  
Mayor of the City of Torrance

ATTEST:

\_\_\_\_\_  
Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III, CITY ATTORNEY

By \_\_\_\_\_





EDMUND G. BROWN JR. • GOVERNOR

915 L STREET ■ SACRAMENTO CA ■ 95814-3706 ■ WWW.DOF.CA.GOV

May 2012

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, 2012, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2012-2013. Enclosure I 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 2012-2013 appropriations limit. Enclosure II provides city and unincorporated county population percentage changes, and Enclosure IIA provides county and incorporated areas' summed population percentage change. 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. You can access the Code from the following website: "<http://www.leginfo.ca.gov/calaw.html>" check box: "Revenue and Taxation Code" and enter 2228 for the search term to learn more about the various population change factors available to special districts to calculate their appropriations limit. Article XIII B, Section 9(C), of the State Constitution exempts certain special districts from the appropriations limit calculation mandate. Consult the following website: "[http://www.leginfo.ca.gov/const/article\\_13B](http://www.leginfo.ca.gov/const/article_13B)" for additional information. 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, 2012.**

**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.

ANA J. MATOSANTOS

Director

By:

MICHAEL COHEN  
Chief Deputy Director

Enclosures

Fiscal Year 2012-2013

May 2012

Enclosure I

- 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 2012-2013 appropriation limit is:

## Per Capita Personal Income

Fiscal Year (FY)	Percentage change over prior year
2012-2013	3.77

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2012-2013 appropriation limit.

**2012-2013:**

Per Capita Cost of Living Change = 3.77 percent  
 Population Change = 0.68 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.77 + 100}{100} = 1.0377$

Population converted to a ratio:  $\frac{0.68 + 100}{100} = 1.0068$

Calculation of factor for FY 2012-2013:  $1.0377 \times 1.0068 = 1.0448$

**CITY OF TORRANCE  
APPROPRIATIONS LIMIT  
USERS' FEES VERSUS COSTS**

**WORKSHEET #1  
BUDGET BASIS  
FISCAL YEAR 2012-13**

	<b>PUBLIC SAFETY</b>	<b>PUBLIC WORKS</b>	<b>COMMUNITY ENRICHMENT</b>	<b>GENERAL GOVERNMENT</b>	<b>INDIRECT CHGS-ENT</b>	<b>TOTAL</b>
	(A)	(B)	(C)	(D)	(E)	
<b>A. COSTS REASONABLY BORNE</b>	28,935,063	4,132,080	7,289,821	8,152,645	\$5,228,875	53,738,484
<b>B. FEES:</b>						
INDIRECT CHARGES - ENTERPRISE					5,228,875	5,228,875
CONSTRUCTION RELATED FEES	1,256,601	308,400		1,895,300		3,460,301 (a)
ENGINEERING FEES		278,100				278,100 (b)
POLICE DEPT SERVICES	852,000					852,000 (c)
FIRE INSPECTION FEES	1,781,500					1,781,500 (d)
OTHER CHARGES		144,200	380,000	50,600		574,800 (e)
LIBRARY FINES AND FEES			190,000			190,000 (f)
<b>FEE REVENUE</b>	3,890,101	730,700	570,000	1,945,900	5,228,875	12,365,576
<b>C. AMOUNT THAT FEE EXCEEDS COST (ie, amount of tax proceeds)</b>	0	0	0	0	0	0
<b>D. AMOUNT OF FEE REVENUE THAT DOES NOT EXCEED COSTS</b>	\$3,890,101	\$730,700	\$570,000	\$1,945,900	\$5,228,875	\$12,365,576

E. USE THE RESULTS TO COMPLETE WORKSHEET #2

GANN13 - 1

<b>Public Safety</b>			
Police	15,611,738		
Fire	11,022,342		
Bldg & Safety	2,300,983		
		<b>28,935,063</b>	(A)
<b>Public Works</b>			
Community Development	1,847,492		
Public Works	2,284,588		
Street	-		
		<b>4,132,080</b>	(B)
<b>Community Enrichment</b>			
Library	7,289,821		
		<b>7,289,821</b>	(C)
<b>General Government</b>			
City Clerk	695,028		
City Manager	2,193,211		
City Council	587,319		
City Treasurer	131,086		
City Atty	962,186		
Human Resources	1,406,579		
Finance	2,177,236		
		<b>8,152,645</b>	(D)

CITY OF TORRANCE  
CALCULATION OF PROCEEDS OF TAXES

WORKSHEET #2  
BUDGET BASIS  
FISCAL YEAR 2012-13

Funds included:---- GENERAL FUND

REVENUES	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL	
TAXES				reference
Property Tax	\$51,724,100		\$51,724,100	1
Sales & Use Tax	29,368,200		\$29,368,200	2
Utility Users' Tax	36,743,000		\$36,743,000	3
Business License Tax	8,466,600		\$8,466,600	4
Construction Tax	800,000		\$800,000	5
Transient Occupancy Tax	7,889,800		\$7,889,800	6
Real Property Transfer Tax	600,000		\$600,000	7
Oil Severance Tax	10,000		\$10,000	8
Aircraft Assessment Tax	180,000		\$180,000	9
<b>Total Taxes</b>	<b>\$ 135,781,700</b>	<b>0</b>	<b>\$ 135,781,700</b>	
LICENSES AND PERMITS				
Animal Fees		0	0	9a
Construction Permits		1,951,900	1,951,900	10
Other License Fees/Permits		179,000	179,000	11
Licenses and Permits		2,130,900	2,130,900	
REVENUE FROM OTHER AGENCIES				
State Motor Vehicle License	597,400		597,400	12
Trailer Coach In Lieu			0	
State Gasoline Tax		840,000	840,000	13
State Homeowners' Property Tax Relief	250,000		250,000	14
State Cigarette Tax			0	
Other State Revenue	0	0	0	15
Other County Grants		0	0	16
Revenue from Other Agencies	847,400	840,000	1,687,400	
FINES AND FORFEITURES				
General Court Fines		840,000	840,000	17
Traffic Fines		480,000	480,000	18
Fines and Forfeitures		1,320,000	1,320,000	
USE OF MONEY AND PROPERTY (EXCLUDING INVESTMENT EARNINGS)				
Rents and Royalties		1,349,300	1,349,300	19
Franchise Payments		5,562,000	5,562,000	20
PERS Interest Amortization		0	0	
Extraordinary Income			0	
Use of Money and Property		\$6,911,300	\$6,911,300	
USER FEES (From Worksheet#1)	\$0	\$12,365,576	\$12,365,576	
OTHER MISCELLANEOUS				
Contribution from Other Funds (from Worksheet #2A)	1,000,000	1,600,000	2,600,000	22
Other Revenue		620,000	620,000	23
Operating Transfer In		8,928,916	8,928,916	24
Other Miscellaneous	1,000,000	11,148,916	12,148,916	
SUB-TOTAL (For Worksheet #3)	137,629,100	34,716,692	172,345,792	
Interest Earnings (from Worksheet #3)	1,152,404	377,596	1,530,000	
TOTAL REVENUE (Use for Worksheet #4)	\$138,781,504	\$35,094,288	\$173,875,792	= total revenues (p. 3) + indirect cost reimb.
RESERVE WITHDRAWALS		\$600,000	\$600,000	25 (op.budget summary sheet)

**CITY OF TORRANCE  
CALCULATION OF PROCEEDS OF TAXES  
CONTRIBUTIONS FROM OTHER FUNDS**

**WORKSHEET #2A  
BUDGET BASIS  
FISCAL YEAR 2012-13**

	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL
<b>CONTRIBUTIONS FROM OTHER FUND</b>			
<b>AIRPORT FUND:</b>			
PROPERTY TAX IN-LIEU TRANSFER	<b>\$300,000</b>	<b>\$0</b>	<b>\$300,000</b>
LEASED LAND RENTAL TRANSFER	<b>0</b>	<b>1,600,000</b>	<b>1,600,000</b>
<b>SUB-TOTAL</b>	<b>300,000</b>	<b>1,600,000</b>	<b>1,900,000</b>
<b>WATER FUND</b>			
WATER IN-LIEU TAX	<b>700,000</b>	<b>0</b>	<b>700,000</b>
<b>TOTAL (COPY ONTO WORKSHEET #2)</b>	<b>\$1,000,000</b>	<b>\$1,600,000</b>	<b>\$2,600,000</b>

GANN13 - 2A

CITY OF TORRANCE  
INTEREST EARNINGS PRODUCED BY TAXES

WORKSHEET #3  
BUDGET BASIS  
FISCAL YEAR 2012-13

	AMOUNT	SOURCE
A. NON-INTEREST TAX PROCEEDS	<b>\$137,629,100</b>	(WORKSHEET #2)
B. MINUS EXCLUSIONS	<u>7,365,377</u>	(WORKSHEET #7)
C. NET INVESTED TAXES	130,263,723	(A-B)
D. TOTAL NON-INTEREST REVENUES PLUS RESERVE WITHDRAWALS	172,945,792	(WORKSHEET #2)
E. TAX PROCEEDS AS PERCENT OF BUDGET	75.3206%	(C/D)
F. INTEREST EARNINGS	<b>1,530,000</b>	2012-13 ADOPTED 2ND YEAR
G. AMOUNT OF INTEREST EARNED FROM TAXES	<u>1,152,404</u>	(E*F)
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES	<u>\$377,596</u>	(F-G)
I. TAKE THE RESULT OF STEPS #G AND #H COPY ON TO WORKSHEET #2		

CITY OF TORRANCE  
APPROPRIATIONS SUBJECT TO LIMITATION

WORKSHEET #4  
BUDGET BASIS  
FISCAL YEAR 2012-13

	AMOUNT	SOURCE
A. PROCEEDS OF TAXES	\$138,781,504	(WORKSHEET #2)
B. EXCLUSIONS	<u>7,365,377</u>	(WORKSHEET #7)
C. APPROPRIATIONS SUBJECT TO LIMITATION	\$131,416,127	(A-B)
D. CURRENT YEAR'S LIMIT	2,190,970,024	(WORKSHEET #6)
E. OVER/(UNDER) LIMIT	<u>\$2,059,553,897</u>	(C-D)

**CITY OF TORRANCE AND COUNTY OF LOS ANGELES  
POPULATION INCREASES**

**WORKSHEET #5  
BUDGET BASIS  
FISCAL YEAR 2012-13**

<b>TO COMPUTE LIMIT TO:</b>	<b>CITY POPULATION</b>	<b>PERCENT</b>	<b>COUNTY POPULATION</b>	<b>PERCENT</b>
<b>2012-2013</b>				
01/01/09	149,111	<b>0.67%</b>	10,393,185	<b>0.90%</b>
01/01/10	149,717	<b>0.78%</b>	10,430,366	<b>0.83%</b>
01/01/11	145,927	<b>0.27%</b>	9,858,989	<b>0.38%</b>
01/01/12	146,115 (1)	<b>0.24%</b>	9,884,632 (1)	<b>0.38%</b>

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION DATA FOR LOCAL JURISDICTIONS, DATED MAY 2012.

**GANN13 - 5**

**CITY OF TORRANCE  
INFLATION FACTOR  
CHANGE IN PER CAPITA PERSONAL INCOME AND  
PERCENTAGE OF CHANGE IN TOTAL ASSESSED VALUATION DUE TO NON-RESIDENTIAL NEW CONSTRUCTION**

**WORKSHEET # 5A  
BUDGET BASIS  
FISCAL YEAR 2012-13**

<u>TO COMPUTE LIMIT TO:</u>	CHANGE IN CALIF. PER CAPITA PERSONAL INCOME (1)	PERCENTAGE OF CHANGE IN TOTAL ASSESSED VALUATION DUE TO NON-RESIDENTIAL NEW CONSTRUCTION (2)
2010-2011	-2.54%	42.56%
2011-2012	2.51%	50.12%
2012-2013	3.77%	-37.16%

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION  
DATA FOR LOCAL JURISDICTIONS, DATED MAY 2012

(2) DATA FROM LA COUNTY ASSESSOR'S OFFICE LETTER, DATED MAY 7, 2012

GANN13 - 5A

**CITY OF TORRANCE  
CURRENT YEAR'S APPROPRIATIONS LIMIT**

**WORKSHEET #6  
BUDGET BASIS  
FISAL YEAR 2012-13**

	AMOUNT	SOURCE
A. LAST YEAR'S LIMIT	<b>\$2,103,378,487</b>	
B. ADJUSTMENT FACTORS		
1. Population % change	0.38%	(Worksheet #5)
2. Percent change in California Per Capita Personal Income	3.77%	(Worksheet #5A)
Total Adjustment (In Ratios)	1.0416	=(B1+1)* (B2+1)   OR = F/A
Total Adjustment (In %)	4.1643%	= C/A
C. ANNUAL ADJUSTMENTS\$	87,591,537	(B*A)
D. OTHER ADJUSTMENTS:		
Lost Responsibility(-)	0	
Transfer to private (-)	0	
Transfer to fees (-)	0	
Assumed Responsibility (+)	0	
Sub-total, Annual Adjustment	0	
E. TOTAL ADJUSTMENTS	<b>87,591,537</b>	(C+D)
F. THIS YEAR'S LIMIT To Worksheet #4	<b>\$2,190,970,024</b>	(A+E)

**G. COMPARISON OF GANN LIMIT TO EXPENDITURES/APPROPRIATIONS**  
**SUBJECT TO LIMIT, FY'S 2008-09 TO 2012-13**

	FY 2008-09 *	FY 2009-10 *	FY 2010-11	FY 2011-12	FY 2012-13
GANN LIMIT	872,287,085	971,055,890	1,395,827,276	2,103,378,487	2,190,970,024
Expenditures/ Appropriation Subject to Limit	<u>136,135,522</u>	<u>134,172,280</u>	<u>137,497,116</u>	<u>127,004,062</u>	<u>131,416,127</u>
Amount Over (Under) Limit	<u>736,151,563</u>	<u>836,883,610</u>	<u>1,258,330,160</u>	<u>1,976,374,425</u>	<u>2,059,553,897</u>

\* As corrected - post-audit.

GANN13-6

**CITY OF TORRANCE  
EXCLUDED APPROPRIATIONS**

**WORKSHEET #7  
BUDGET BASIS  
FISCAL YEAR 2012-13**

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CATEGORY	AMOUNT	
<b>FEDERAL MANDATES</b>		
<b>INCREASE IN FICA TAXES</b>	\$2,980,210	(From WS #7a)
<b>FLSA ADJUSTMENT 2011-12</b>	332,536	(From WS #7a)
<b>SUB-TOTAL</b>	3,312,746	
<b>QUALIFIED DEBT SERVICE</b>		
1998 COP FIRE/POLICE FACILITY	516,348	
2004A COP TORRANCE PUBLIC FINANCING	1,090,476	
2004B COP TORRANCE PUBLIC FINANCING	1,188,963	
2009A LAND ACQUISITION	1,230,594	
Administrative Fees	26,250	
<b>SUB-TOTAL</b>	4,052,631	
PAYBACK TO PARKS & RECREATION	0	
PAYBACK TO DRAINAGE IMPRVEMENT FD	0	
PAYBACK TO SEWER REVOLVING FD	0	
<b>SUB-TOTAL</b>	0	
<b>TOTAL EXCLUDABLE (Copy to Worksheet #3 &amp; #4)</b>	<b>\$7,365,377</b>	

**CITY OF TORRANCE  
EXCLUDED APPROPRIATIONS - FEDERAL MANDATES**

**WORKSHEET # 7A  
BUDGET BASIS  
FISCAL YEAR 2012-13**

## 1) INCREASE IN FICA TAXES

2012-13 FICA	\$3,789,200 (1)	
1978-79 EXPENDITURES FOR FICA	<u>764,508 (3)</u>	
 DOLLAR INCREASE IN FICA TAXES		 \$3,024,692
 DEDUCT: INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL		
2011-12 NUMBER OF EMPLOYEES (From Worksheet #7b)	1,655	
1978-79 NUMBER OF EMPLOYEES	<u>1,564 (3)</u>	
	91	
1978-79 FICA EXPENSE	764,508	
DIVIDED BY:		
1978-79 NUMBER OF EMPLOYEES	1,564	
 AVERAGE 1978-79 FICA TAX PER EMPLOYEE PER YEAR	 488.8159	
 MULTIPLY BY INCREASE IN NUMBER OF EMPLOYEES	 91	
 INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL	 44,482	 (44,482)
 NET INCREASE IN FICA TAXES (To Worksheet #7)		 <span style="border: 1px solid black; padding: 2px;">\$2,980,210</span>

## 2) FLSA - 2012-13

CITYWIDE BUDGETED FLSA FOR FISCAL YEAR 2012-13 (To Worksheet #7)		<span style="border: 1px solid black; padding: 2px;">\$332,536</span> (2)
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(1) FROM 2012-13 ADOPTED 2ND YR BUDGET "ACCOUNT 3530 - SOCIAL SECURITY CITY PAID".

(2) FROM 2012-13 PAYROLL BASE BUDGET (COMPENSATION DETAIL REPORT) DATED 3/12/12 p. 266

(3) 1978-79 DATA ARE CONSTANT

GANN13 - 7A

CITY OF TORRANCE  
EXCLUDED APPROPRIATION  
FEDERAL MANDATES (INCREASE IN FICA TAXES)  
NUMBER OF EMPLOYEES

WORKSHEET #7B  
BUDGET BASIS  
FISCAL YEAR 2012-13

	TOTAL NUMBER OF EMPLOYEES
JUNE 2011	1,686
JULY 2011	1,716
AUGUST 2011	1,635
SEPTEMBER 2011	1,661
OCTOBER 2011	1,647
NOVEMBER 2011	1,651
DECEMBER 2011	1,581
JANUARY 2012	1,682
FEBRUARY 2012	1,666
MARCH 2012	1,629
APRIL 2012	1,651
MAY 2012	1,655
Total	19,860
Divided by 12 Months	12
<b>Average per Month</b>	<b>1,655</b> (1), (2)

(1) MONTHLY EMPLOYEE COUNT SHEET (FROM PAYROLL)

(2) USE IN WORKSHEET#7A (INCREASE IN FICA TAXES)