

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

Members of the City Council:

**SUBJECT: Finance – Adopt RESOLUTION approving fiscal year 2010-11 appropriations limit and selection of the annual adjustment factors for the same fiscal year**

### **RECOMMENDATION**

Recommendation of the Finance Director that the City Council adopt the attached **RESOLUTION** approving the City's appropriations limit for fiscal year 2010-11 in the amount of \$1,395,827,276; and selection of the percentage change in Non-Residential Assessed Valuations 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.

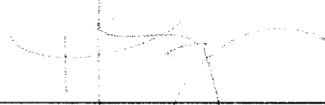
Moreover, the cost of living factor may either be the change in the California per capita personal income or the percentage change in the jurisdiction's assessed valuation, which is attributable to non-residential new construction. Both of these selections require a recorded vote of the City's governing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

Analysis of available data indicated that selection of the percentage of change in Total Assessed Valuation Due to Non-Residential New Construction, 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 2010-11 would be \$1,395,827,276. This calculated limit is 1015%, or \$1,258,330,160, more than the projected appropriations subject to limitations of \$137,497,116, 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 28, 2010 and a public notice was posted in the Daily Breeze on May 31, 2010.

Respectfully submitted,

Eric E. Tsao  
Finance Director

By   
Helen Eng  
Administrative Analyst

CONCUR:

  
Eric E. Tsao  
Finance Director

  
LeRoy J. Jackson  
City Manager

Attachments:

- A. Resolution
- B. Letter from the Office of the Assessor dated 4/21/10
- C. Worksheets 1-7b for Fiscal Year 2010-11

## RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF TORRANCE  
APPROVING THE 2010-11 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 2010-11; and

**WHEREAS**, all calculations for fiscal year 2010-11 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 2010-11;

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

- (1) It selects the following growth factors for fiscal year 2010-11:

Population Factor  
(County)

0.83%

Inflation Factor  
(Percentage of change in  
total assessed valuation due to  
non-residential new construction)

42.56%

- (2) It accepts the appropriations limit for fiscal year 2010-11 in the amount of \$1,395,827,276.

Introduced, approved, and adopted this 15<sup>th</sup> day of June, 2010.

\_\_\_\_\_  
Mayor Frank Scotto

APPROVED AS TO FORM:  
JOHN FELLOWS III, City Attorney

ATTEST:

by \_\_\_\_\_  
Patrick Q. Sullivan, Assistant City Attorney

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





OFFICE OF THE ASSESSOR  
500 WEST TEMPLE STREET  
LOS ANGELES, CALIFORNIA 90012-2770  
assessor.lacounty.gov  
1.888.807.2111



April 21, 2010

Ms. Helen Eng  
Administrative Analyst  
City of Torrance  
3031 Torrance Blvd. Torrance  
Torrance, CA 90012

Dear Ms. Eng:

Your agency, the City of Torrance, in order to effect an adjustment of its Gann Limit, has requested that the Assessor's Office supply the percentage change in total assessed valuation for the city over that of the preceding year, due to nonresidential new construction.

For the City of Torrance, the 2009-2010 net change in nonresidential new construction, applicable to the 2010-2011 budget, is 42.56%.

If we can be of further service, please call Guillermo Araujo at (213) 974-9221.

Sincerely,

A handwritten signature in cursive script that reads "Guillermo Araujo".

Guillermo Araujo  
Appraiser Specialist  
Research and Development

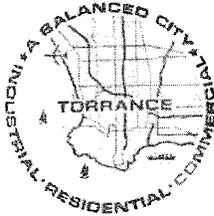
Enclosures

COUNTY OF LOS ANGELES - OFFICE OF THE ASSESSOR

Proposition 111 Analysis

Non-Residential New Construction (SE City Report) Current - 6/22/09		New Construction	Lesser Maintenance	Other Construction	Total New Construction
Commercial -	Authorizations	(\$7,694,653)	\$1,150,574		(\$6,544,079)
	Current	\$9,407,770	\$2,560,642		\$11,968,412
Other	Authorizations	\$6,300,000	\$302,477		\$6,602,477
	Current	(\$332,261)			(\$332,261)
Total New Construction		\$7,680,856	\$4,013,693		\$11,694,549
Add Fixtures (SV16 Report) Current - 6/12/09				\$1,972,122,453	
Less Fixtures (SV16 Report) Prior - 6/13/09				\$1,746,583,294	
Net Fixtures Adjustment					\$225,539,159
Net Increase in New Non-Res Construction from Prior Year					\$237,233,708
City Total (SV 16 Report)	Secured RE & PP Exemptions	Unsecured PP Exemption	Net Assessed Values	Total Assessed Values	
Current Year - 6/12/09	\$579,925,854	\$37,060,943	\$23,932,160,427	\$24,549,147,224	
Prior Year - 6/13/09	\$575,287,442	\$36,774,949	\$23,379,699,011	\$23,991,761,402	
Net Increase in Local Assessment Roll From Prior Year					\$557,385,822
Percentage Increase Allowable = New Non-Res Growth / Total Roll Growth X 100			=		42.56%
Percentage Increase Allowable (without Fixtures)					2.10%

<b>YEAR</b>	2009-2010	<b>AGENCY</b>	City of Torrance	<b>AGENCY NO.</b>	272.00
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CITY OF  
TORRANCE

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FINANCE  
DEPARTMENT

ERIC E. TSAO  
FINANCE DIRECTOR

April 5, 2010

Principal Appraiser, Research and Development  
Office of the Assessor  
County of Los Angeles  
Hall of Administration, Room 346C  
500 W. Temple Street  
Los Angeles, CA 90012-2770

**SUBJECT: GROWTH DATA IN THE NON-RESIDENTIAL ASSESSED VALUATION  
DUE TO NEW CONSTRUCTION WITHIN THE CITY OF TORRANCE**

To Whom It May Concern:

Our calculation of the appropriations limit for fiscal year 2010-11 requires data on the percentage change in total assessed valuation for the City of Torrance for the preceding year attributable to non-residential new construction. We would appreciate it if you could forward this information to the City as soon as the data is available.

Please mail this information to us Attn to: Helen Eng or email it to [heng@TorranceCA.gov](mailto:heng@TorranceCA.gov).

Thank you.

Sincerely yours,

Helen Eng  
Administrative Analyst

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

**WORKSHEET #1  
BUDGET BASIS  
FISCAL YEAR 2010-11**

	PUBLIC SAFETY	PUBLIC WORKS	COMMUNITY ENRICHMENT	GENERAL GOVERNMENT	INDIRECT CHGS-ENT	TOTAL
	(A)	(B)	(C)	(D)	(E)	
A. COSTS REASONABLY BORNE	28,925,665	5,194,744	7,624,439	9,359,610	\$5,036,212	56,140,670
B. FEES:						
INDIRECT CHARGES - ENTERPRISE					5,036,212	5,036,212
CONSTRUCTION RELATED FEES	1,606,054	586,925		1,500		2,194,479 (a)
ENGINEERING FEES		136,232				136,232 (b)
POLICE DEPT SERVICES	756,399					756,399 (c)
FIRE INSPECTION FEES	1,485,791					1,485,791 (d)
OTHER CHARGES		140,080	266,523	21,200		427,803 (e)
LIBRARY FINES AND FEES			181,000			181,000 (f)
FEE REVENUE	3,848,244	863,237	447,523	22,700	5,036,212	10,217,916
C. AMOUNT THAT FEE EXCEEDS COST (ie, amount of tax proceeds)	0	0	0	0	0	0
D. AMOUNT OF FEE REVENUE THAT DOES NOT EXCEED COSTS	\$3,848,244	\$863,237	\$447,523	\$22,700	\$5,036,212	\$10,217,916

E. USE THE RESULTS TO COMPLETE WORKSHEET #2

Public Safety			
	Police	14,798,287	
	Fire	11,567,395	
	Bldg & Safety	2,559,983	
		28,925,665	(A)
Public Works			
	Community Development	2,531,134	
	Public Works	2,663,610	
	Street	-	
		5,194,744	(B)
Community Enrichment			
	Library	7,624,439	
		7,624,439	(C)
General Government			
	City Clerk	690,067	
	City Manager	2,261,093	
	City Council	640,382	
	City Treasurer	124,997	
	City Atty	1,547,501	
	Human Resources	1,660,717	
	Finance	2,434,853	
		9,359,610	(D)

CITY OF TORRANCE  
CALCULATION OF PROCEEDS OF TAXES

WORKSHEET #2  
BUDGET BASIS  
FISCAL YEAR 2010-11

Funds included:---- GENERAL FUND

REVENUES	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL	reference
<b>TAXES</b>				
Property Tax	\$52,365,734		\$52,365,734	1
Sales & Use Tax	31,580,092		\$31,580,092	2
Utility Users' Tax	37,638,278		\$37,638,278	3
Business License Tax	8,489,219		\$8,489,219	4
Construction Tax	825,130		\$825,130	5
Transient Occupancy Tax	8,979,290		\$8,979,290	6
Real Property Transfer Tax	459,000		\$459,000	7
Oil Severance Tax	10,000		\$10,000	8
Aircraft Assessment Tax	200,000		\$200,000	9
<b>Total Taxes</b>	<b>\$ 140,546,743</b>	<b>0</b>	<b>\$ 140,546,743</b>	
<b>LICENSES AND PERMITS</b>				
Animal Fees		1,700	1,700	9a
Construction Permits		2,167,097	2,167,097	10
Other License Fees/Permits		185,017	185,017	11
Licenses and Permits		<b>2,353,814</b>	<b>2,353,814</b>	
<b>REVENUE FROM OTHER AGENCIES</b>				
State Motor Vehicle License	370,893		370,893	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	<b>620,893</b>	<b>840,000</b>	<b>1,460,893</b>	
<b>FINES AND FORFEITURES</b>				
General Court Fines		1,395,184	1,395,184	17
Traffic Fines		587,726	587,726	18
Fines and Forfeitures		<b>1,982,910</b>	<b>1,982,910</b>	
<b>USE OF MONEY AND PROPERTY (EXCLUDING INVESTMENT EARNINGS)</b>				
Rents and Royalties		954,350	954,350	19
Franchise Payments		6,530,807	6,530,807	20
PERS Interest Amortization		0	0	
Extraordinary Income			0	
Use of Money and Property		<b>\$7,485,157</b>	<b>\$7,485,157</b>	
<b>USER FEES (From Worksheet#1)</b>	<b>\$0</b>	<b>\$10,217,916</b>	<b>\$10,217,916</b>	
<b>OTHER MISCELLANEOUS</b>				
Contribution from Other Funds (from Worksheet #2A)	950,000	1,600,000	2,550,000	22
Other Revenue		515,300	515,300	23
Operating Transfer In		10,233,433	10,233,433	24
Other Miscellaneous	<b>950,000</b>	<b>12,348,733</b>	<b>13,298,733</b>	
<b>SUB-TOTAL (For Worksheet #3)</b>	<b>142,117,636</b>	<b>35,228,530</b>	<b>177,346,166</b>	
Interest Earnings (from Worksheet #3)	2,899,721	944,006	3,843,727	
<b>TOTAL REVENUE (Use for Worksheet #4)</b>	<b>\$145,017,357</b>	<b>\$36,172,536</b>	<b>\$181,189,893</b>	= total revenues (p. 3) + indirect cost reimb.
<b>RESERVE WITHDRAWALS</b>		<b>\$1,069,482</b>	<b>\$1,069,482</b>	25 (op. budget summary sheet)

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

WORKSHEET #2A  
 BUDGET BASIS  
 FISCAL YEAR 2010-11

	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL
CONTRIBUTIONS FROM OTHER FUND			
AIRPORT FUND:			
PROPERTY TAX IN-LIEU TRANSFER	\$250,000	\$0	\$250,000
LEASED LAND RENTAL TRANSFER	0	1,600,000	1,600,000
SUB-TOTAL	250,000	1,600,000	1,850,000
WATER FUND			
WATER IN-LIEU TAX	700,000	0	700,000
TOTAL (COPY ONTO WORKSHEET #2)	\$950,000	\$1,600,000	\$2,550,000

CITY OF TORRANCE  
INTEREST EARNINGS PRODUCED BY TAXES

WORKSHEET #3  
BUDGET BASIS  
FISCAL YEAR 2010-11

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	AMOUNT	SOURCE
A. NON-INTEREST TAX PROCEEDS	<b>\$142,117,636</b>	(WORKSHEET #2)
B. MINUS EXCLUSIONS	<u>7,520,241</u>	(WORKSHEET #7)
C. NET INVESTED TAXES	134,597,395	(A-B)
D. TOTAL NON-INTEREST REVENUES PLUS RESERVE WITHDRAWALS	178,415,648	(WORKSHEET #2)
E. TAX PROCEEDS AS PERCENT OF BUDGET	75.4404%	(C/D)
F. INTEREST EARNINGS	3,843,727	2010-11 ADOPTED 2ND YR BUDGET
G. AMOUNT OF INTEREST EARNED FROM TAXES	<u>2,899,721</u>	(E*F)
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES	<u>\$944,006</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 2010-11

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	AMOUNT	SOURCE
A. PROCEEDS OF TAXES	\$145,017,357	(WORKSHEET #2)
B. EXCLUSIONS	<u>7,520,241</u>	(WORKSHEET #7)
C. APPROPRIATIONS SUBJECT TO LIMITATION	\$137,497,116	(A-B)
D. CURRENT YEAR'S LIMIT	1,395,827,276	(WORKSHEET #6)
E. OVER/(UNDER) LIMIT	<u>(\$1,258,330,160)</u>	(C-D)

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

**WORKSHEET #5  
BUDGET BASIS  
FISCAL YEAR 2010-11**

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TO COMPUTE LIMIT TO:	CITY POPULATION	PERCENT	COUNTY POPULATION	PERCENT
<b>2010-11</b>				
01/01/07	148,558	<b>0.85%</b>	10,331,939	<b>0.72%</b>
01/01/08	148,965	<b>0.85%</b>	10,363,850	<b>0.86%</b>
01/01/09	149,111	<b>0.67%</b>	10,393,185	<b>0.90%</b>
01/01/10	149,717 (1)	<b>0.78%</b>	10,430,366 (1)	<b>0.83%</b>

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION DATA FOR LOCAL JURISDICTIONS, DATED MAY 2010.

**GANN11 - 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 2010-11**

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<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)
2008-2009	4.29%	7.64%
2009-2010	0.62%	10.33%
2010-2011	-2.54%	42.56%

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION  
DATA FOR LOCAL JURISDICTIONS, DATED MAY 2010.

(2) DATA FROM LA COUNTY ASSESSOR'S OFFICE LETTER, DATED APRIL 21, 2010.

GANN11 - 5A

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

**WORKSHEET #6  
BUDGET BASIS  
FISCAL YEAR 2010-11**

	AMOUNT	SOURCE
A. LAST YEAR'S LIMIT	<u>\$971,055,890</u>	
B. ADJUSTMENT FACTORS		
1. Population % change	0.83%	(Worksheet #5)
2. Percent change in non-residential assessed valuation	42.56%	(Worksheet #5A)
Total Adjustment (In Ratios)	1.4374	= (B1+1)* (B2+1) OR = F/A
Total Adjustment (In %)	43.7432%	= C/A
C. ANNUAL ADJUSTMENTS\$	424,771,386	(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	<u>424,771,386</u>	(C+D)
F. THIS YEAR'S LIMIT	<u>\$1,395,827,276</u>	(A+E)
To Worksheet #4		

**G. COMPARISON OF GANN LIMIT TO EXPENDITURES/APPROPRIATIONS**  
**SUBJECT TO LIMIT, FY'S 2006-07 TO 2010-11**

	FY 2006-07	FY 2007-08	FY 2008-09 *	FY 2009-10 *	FY 2010-11
GANN LIMIT	737,610,212	803,464,679	872,287,085	971,055,890	1,395,827,276
Expenditures/ Appropriation Subject to Limit	<u>124,305,043</u>	<u>131,490,812</u>	<u>136,135,522</u>	<u>134,172,280</u>	<u>137,497,116</u>
Amount Over (Under) Limit	<u>613,305,169</u>	<u>671,973,867</u>	<u>736,151,563</u>	<u>836,883,610</u>	<u>1,258,330,160</u>

\* As corrected - post-audit.

**CITY OF TORRANCE  
EXCLUDED APPROPRIATIONS**

**WORKSHEET #7  
BUDGET BASIS  
FISCAL YEAR 2010-11**

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CATEGORY	AMOUNT	
<b>FEDERAL MANDATES</b>		
<b>INCREASE IN FICA TAXES</b>	\$3,010,833	(From WS #7a)
<b>FLSA ADJUSTMENT 2010-11</b>	413,737	(From WS #7a)
<b>SUB-TOTAL</b>	3,424,570	
<b>QUALIFIED DEBT SERVICE</b>		
1998 COP FIRE/POLICE FACILITY	512,590	
2004A COP TORRANCE PUBLIC FINANCING	1,090,849	
2004B COP TORRANCE PUBLIC FINANCING	1,232,963	
2009A LAND ACQUISITION	1,233,019	
Administrative Fees	26,250	
<b>SUB-TOTAL</b>	4,095,671	
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>\$7,520,241</b>	

**17**  
CITY OF TORRANCE  
EXCLUDED APPROPRIATIONS - FEDERAL MANDATES

WORKSHEET # 7A  
BUDGET BASIS  
FISCAL YEAR 2010-11

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1) INCREASE IN FICA TAXES

2010-11 FICA	\$3,878,400	(1)	
1978-79 EXPENDITURES FOR FICA	<u>764,508</u>	(3)	
DOLLAR INCREASE IN FICA TAXES			\$3,113,892
DEDUCT: INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL			
2009-10 NUMBER OF EMPLOYEES (From Worksheet #7b)	1,775		
1978-79 NUMBER OF EMPLOYEES	<u>1,564</u>	(3)	
	211		
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	211		
INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL	103,059		(103,059)
NET INCREASE IN FICA TAXES (To Worksheet #7)			\$3,010,833

2) FLSA - 2010-11

CITYWIDE BUDGETED FLSA FOR FISCAL YEAR 2010-11 (To Worksheet #7)	\$413,737	(2)
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(1) FROM 2010-11 PROPOSED BUDGET "ACCOUNT 3530 - SOCIAL SECURITY CITY PAID".

(2) FROM 2010-11 PAYROLL BASE BUDGET (COMPENSATION DETAIL REPORT) DATED 4/29/10, p. 253

(3) 1978-79 DATA ARE CONSTANT

GANN11 - 7A

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

WORKSHEET #7B  
BUDGET BASIS  
**FISCAL YEAR 2010-11**

	TOTAL NUMBER OF EMPLOYEES
JUNE 2009	1,749
JULY 2009	1,823
AUGUST 2009	1,753
SEPTEMBER 2009	1,814
OCTOBER 2009	1,786
NOVEMBER 2009	1,787
DECEMBER 2009	1,724
JANUARY 2010	1,790
FEBRUARY 2010	1,798
MARCH 2010	1,746
APRIL 2010	1,768
MAY 2010	1,760
Total	21,298
Divided by 12 Months	12
<b>Average per Month</b>	<b>1,775</b> (1), (2)

(1) MONTHLY EMPLOYEE COUNT SHEET (FROM PAYROLL)

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