

Council Meeting
June 28, 2011

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

Members of the City Council:

SUBJECT: Finance – Adopt RESOLUTION approving the Fiscal Year 2011-12 Appropriations Limit and Selection of the Annual Adjustment Factors for the same fiscal year.

RECOMMENDATION

Recommendation of the Finance Director that Council adopt the **RESOLUTION** approving the City's appropriations limit for fiscal year 2011-12 in the amount of \$2,103,378,487; 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.

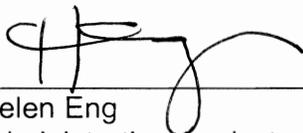
Moreover, the cost of living factor may either be the change in the California per capita personal income or the percentage change in the jurisdiction's assessed valuation, which is attributable to non-residential new construction. Both of these selections require a recorded vote of the City's governing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

Analysis of available data indicated that selection of the **percentage change of Non-Residential Assessed Valuations**, 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 **\$2,103,378,487**. This calculated limit is **1656%**, or **\$1,976,374,425**, more than the projected appropriations subject to limitations of **\$127,004,062**, 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 **June 8, 2011** and a public notice was posted in the Daily Breeze on **June 18, 2011**.

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 State Department of Finance dated May 2011
- C. Worksheets 1-7b for Fiscal Year 2011-12

RESOLUTION NO.

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF
TORRANCE APPROVING THE 2011-12 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 2011-12; and

WHEREAS, all calculations for fiscal year 2011-12 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 2011-12;

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

- (1) It selects the following growth factors for fiscal year 2011-12

Population Factor	Inflation Factor
<u>(County)</u>	<u>(Increase in Non-Residential Assessed Valuations)</u>
0.38%	50.12%

- (2) It accepts the appropriations limit for fiscal year 2011-12 in the amount of \$2,103,378,487.

Introduced, approved, and adopted this 28th day of June, 2011.

Mayor of the City of Torrance

ATTEST:

Sue Herbers, City Clerk

APPROVED AS TO FORM:

JOHN L. FELLOWS III, CITY ATTORNEY

By _____



JOHN R. NOGUEZ • ASSESSOR
500 WEST TEMPLE STREET
LOS ANGELES, CALIFORNIA 90012-2770
assessor.lacounty.gov
1.888.807.2111



May 25, 2011

Helen Eng
Administrative Analyst
City of Torrance
3031 Torrance Boulevard
Torrance, CA 90503

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 50.12%.

If we can be of further service, please contact me at (213) 974-9221 or via email at garaujo@assessor.lacounty.gov.

Sincerely,

A handwritten signature in cursive script, appearing to read "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 - 8/6/10	New Construction	Lesser Maintenance	Other Construction	Total New Construction
Commercial - Authorizations	\$6,422,603	\$1,956,299	\$0	\$8,378,902
Industrial Current	\$18,101,290	\$2,237,136	\$0	\$20,338,426
Other Authorizations	\$0	\$0	\$0	\$0
Other Current	(\$116,523)	\$212,934	\$0	\$96,411
Total New Construction	\$24,407,370	\$4,406,369	\$0	\$28,813,739
Add Fixtures (SV16 Report) Current - 8/6/10			\$1,756,913,538	
Less Fixtures (SV16 Report) Prior - 6/12/09			\$1,972,122,453	
Net Fixtures Adjustment				(\$215,208,915)
Net Increase in New Non-Res Construction from Prior Year				(\$186,395,176)
City Total (SV 16 Report)	Secured RE & PP Exemptions	Unsecured PP Exemption	Net Assessed Values	Total Assessed Values
Current Year - 8/6/10	\$509,076,117	\$37,404,562	\$23,630,768,704	\$24,177,249,383
Prior Year - 6/12/09	\$579,925,854	\$37,060,943	\$23,932,160,427	\$24,549,147,224
Net Increase in Local Assessment Roll From Prior Year				(\$371,897,841)
Percentage Increase Allowable = New Non-Res Growth / Total Roll Growth X 100			=	50.12%
Percentage Increase Allowable (without Fixtures)				-7.75%

YEAR	2009-2010	AGENCY	City of Torrance	AGENCY NO.	272.00
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CITY OF
TORRANCE

FINANCE
DEPARTMENT

ERIC E. TSAO
FINANCE DIRECTOR

May 10, 2011

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 2011-12 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.

Thank you

Sincerely yours,

Helen Eng
Administrative Analyst

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

**WORKSHEET #1
BUDGET BASIS
FISCAL YEAR 2011-12**

	PUBLIC SAFETY	PUBLIC WORKS	COMMUNITY ENRICHMENT	GENERAL GOVERNMENT	INDIRECT CHGS-ENT	TOTAL
	(A)	(B)	(C)	(D)	(E)	
A. COSTS REASONABLY BORNE	27,573,763	4,428,662	7,492,778	8,423,263	\$5,228,875	53,147,341
B. FEES:						
INDIRECT CHARGES - ENTERPRISE					5,228,875	5,228,875
CONSTRUCTION RELATED FEES	1,220,000	300,000		1,830,000		3,350,000 (a)
ENGINEERING FEES		270,000				270,000 (b)
POLICE DEPT SERVICES	840,000					840,000 (c)
FIRE INSPECTION FEES	1,780,000					1,780,000 (d)
OTHER CHARGES		140,000	380,000	50,000		570,000 (e)
LIBRARY FINES AND FEES			190,000			190,000 (f)
FEE REVENUE	3,840,000	710,000	570,000	1,880,000	5,228,875	12,228,875
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	\$3,840,000	\$710,000	\$570,000	\$1,880,000	\$5,228,875	\$12,228,875

E. USE THE RESULTS TO COMPLETE WORKSHEET #2

GANN12 - 1

Public Safety			
Police		14,476,338	
Fire		10,722,842	
Bldg & Safety		2,374,583	
		27,573,763	(A)
Public Works			
Community Development		2,157,574	
Public Works		2,271,088	
Street		-	
		4,428,662	(B)
Community Enrichment			
Library		7,492,778	
		7,492,778	(C)
General Government			
City Clerk		692,628	
City Manager		2,187,211	
City Council		595,419	
City Treasurer		124,286	
City Atty		959,486	
Human Resources		1,530,097	
Finance		2,334,136	
		8,423,263	(D)

CITY OF TORRANCE
CALCULATION OF PROCEEDS OF TAXES

WORKSHEET #2
BUDGET BASIS
FISCAL YEAR 2011-12

Funds included:---- GENERAL FUND

REVENUES	PROCEEDS OF TAXES	NON-PROCEEDS OF TAXES	TOTAL	
TAXES				reference
Property Tax	\$49,840,000		\$49,840,000	1
Sales & Use Tax	28,440,000		\$28,440,000	2
Utility Users' Tax	35,800,000		\$35,800,000	3
Business License Tax	8,220,000		\$8,220,000	4
Construction Tax	800,000		\$800,000	5
Transient Occupancy Tax	7,660,000		\$7,660,000	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
Total Taxes	\$ 131,550,000	0	\$ 131,550,000	
LICENSES AND PERMITS				
Animal Fees		0	0	9a
Construction Permits		1,900,000	1,900,000	10
Other License Fees/Permits		150,000	150,000	11
Licenses and Permits		2,050,000	2,050,000	
REVENUE FROM OTHER AGENCIES				
State Motor Vehicle License	580,000		580,000	12
Trailer Coach In Lieu			0	
State Gasoline Tax		1,040,000	1,040,000	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	830,000	1,040,000	1,870,000	
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		1,310,000	1,310,000	19
Franchise Payments		5,400,000	5,400,000	20
PERS Interest Amortization		0	0	
Extraordinary Income			0	
Use of Money and Property		\$6,710,000	\$6,710,000	
USER FEES (From Worksheet#1)	\$0	\$12,228,875	\$12,228,875	
OTHER MISCELLANEOUS				
Contribution from Other Funds (from Worksheet #2A)	1,000,000	1,600,000	2,600,000	22
Other Revenue		650,000	650,000	23
Operating Transfer In		8,615,650	8,615,650	24
Other Miscellaneous	1,000,000	10,865,650	11,865,650	
SUB-TOTAL (For Worksheet #3)	133,380,000	34,214,525	167,594,525	
Interest Earnings (from Worksheet #3)	1,122,641	377,359	1,500,000	
TOTAL REVENUE (Use for Worksheet #4)	\$134,502,641	\$34,591,884	\$169,094,525	= 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 2011-12**

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

GANN12 - 2A

CITY OF TORRANCE
INTEREST EARNINGS PRODUCED BY TAXES

WORKSHEET #3
BUDGET BASIS
FISCAL YEAR 2011-12

	AMOUNT	SOURCE
A. NON-INTEREST TAX PROCEEDS	\$133,380,000	(WORKSHEET #2)
B. MINUS EXCLUSIONS	<u>7,498,579</u>	(WORKSHEET #7)
C. NET INVESTED TAXES	125,881,421	(A-B)
D. TOTAL NON-INTEREST REVENUES PLUS RESERVE WITHDRAWALS	168,194,525	(WORKSHEET #2)
E. TAX PROCEEDS AS PERCENT OF BUDGET	74.8428%	(C/D)
F. INTEREST EARNINGS	1,500,000	2011-12 PROPOSED BUDGET
G. AMOUNT OF INTEREST EARNED FROM TAXES	<u>1,122,641</u>	(E*F)
H. AMOUNT OF INTEREST EARNED FROM NON-TAXES	<u>\$377,359</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 2011-12

	AMOUNT	SOURCE
A. PROCEEDS OF TAXES	\$134,502,641	(WORKSHEET #2)
B. EXCLUSIONS	<u>7,498,579</u>	(WORKSHEET #7)
C. APPROPRIATIONS SUBJECT TO LIMITATION	\$127,004,062	(A-B)
D. CURRENT YEAR'S LIMIT	2,103,378,487	(WORKSHEET #6)
E. OVER/(UNDER) LIMIT	<u>(\$1,976,374,425)</u>	(C-D)

CITY OF TORRANCE AND COUNTY OF LOS ANGELES
POPULATION INCREASES

WORKSHEET #5
BUDGET BASIS
FISCAL YEAR 2011-12

TO COMPUTE LIMIT TO:	CITY POPULATION	PERCENT	COUNTY POPULATION	PERCENT
2011-12				
01/01/08	148,965	0.85%	10,363,850	0.86%
01/01/09	149,111	0.67%	10,393,185	0.90%
01/01/10	149,717	0.78%	10,430,366	0.83%
01/01/11	145,927 (1)	0.27%	9,858,989 (1)	0.38%

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION DATA FOR LOCAL JURISDICTIONS, DATED MAY 2011.

GANN12 - 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 2011-12**

<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)
2009-2010	0.62%	10.33%
2010-2011	-2.54%	42.56%
2011-2012	2.51%	50.12%

(1) BASED ON DEPARTMENT OF FINANCE PRICE AND POPULATION
DATA FOR LOCAL JURISDICTIONS, DATED MAY 2011.

(2) DATA FROM LA COUNTY ASSESSOR'S OFFICE LETTER, DATED MAY 25, 2011.

GANN12 - 5A

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

**WORKSHEET #6
BUDGET BASIS
FISCAL YEAR 2011-12**

	AMOUNT	SOURCE
A. LAST YEAR'S LIMIT	<u>\$1,395,827,276</u>	
B. ADJUSTMENT FACTORS		
1. Population % change	0.38%	(Worksheet #5)
2. Percent change in non-residential assessed valuation	50.12%	(Worksheet #5A)
Total Adjustment (In Ratios)	1.5069	= (B1+1)* (B2+1) OR = F/A
Total Adjustment (In %)	50.6905%	= C/A
C. ANNUAL ADJUSTMENT\$	707,551,211	(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>707,551,211</u>	(C+D)
F. THIS YEAR'S LIMIT	<u>\$2,103,378,487</u>	(A+E)
To Worksheet #4		

G. COMPARISON OF GANN LIMIT TO EXPENDITURES/APPROPRIATIONS
SUBJECT TO LIMIT, FY'S 2007-08 TO 2011-12

	FY 2007-08	FY 2008-09 *	FY 2009-10 *	FY 2010-11	FY 2011-12
GANN LIMIT	803,464,679	872,287,085	971,055,890	1,395,827,276	2,103,378,487
Expenditures/ Appropriation Subject to Limit	<u>131,490,812</u>	<u>136,135,522</u>	<u>134,172,280</u>	<u>137,497,116</u>	<u>127,004,062</u>
Amount Over (Under) Limit	<u>671,973,867</u>	<u>736,151,563</u>	<u>836,883,610</u>	<u>1,258,330,160</u>	<u>1,976,374,425</u>

* As corrected - post-audit.

**CITY OF TORRANCE
EXCLUDED APPROPRIATIONS**

**WORKSHEET #7
BUDGET BASIS
FISCAL YEAR 2011-12**

CATEGORY	AMOUNT	
FEDERAL MANDATES		
INCREASE IN FICA TAXES	\$3,034,818	(From WS #7a)
FLSA ADJUSTMENT 2010-11	336,657	(From WS #7a)
SUB-TOTAL	3,371,475	
 QUALIFIED DEBT SERVICE		
1998 COP FIRE/POLICE FACILITY	543,365	
2004A COP TORRANCE PUBLIC FINANCING	1,089,332	
2004B COP TORRANCE PUBLIC FINANCING	1,217,963	
2009A LAND ACQUISITION	1,250,194	
Administrative Fees	26,250	
SUB-TOTAL	4,127,104	
PAYBACK TO PARKS & RECREATION	0	
PAYBACK TO DRAINAGE IMPRVEMENT FD	0	
PAYBACK TO SEWER REVOLVING FD	0	
SUB-TOTAL	0	
TOTAL EXCLUDABLE (Copy to Worksheet #3 & #4)	\$7,498,579	

CITY OF TORRANCE
EXCLUDED APPROPRIATIONS - FEDERAL MANDATES

WORKSHEET # 7A
BUDGET BASIS
FISCAL YEAR 2011-12

1) INCREASE IN FICA TAXES

2011-12 FICA	\$3,874,400 (1)	
1978-79 EXPENDITURES FOR FICA	<u>764,508 (3)</u>	
DOLLAR INCREASE IN FICA TAXES		\$3,109,892
DEDUCT: INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL		
2010-11 NUMBER OF EMPLOYEES (From Worksheet #7b)	1,718	
1978-79 NUMBER OF EMPLOYEES	<u>1,564 (3)</u>	
	154	
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	154	
INCREASE IN FICA TAXES DUE TO INCREASE IN PERSONNEL	75,074	(75,074)
NET INCREASE IN FICA TAXES (To Worksheet #7)		\$3,034,818

2) FLSA - 2011-12

CITYWIDE BUDGETED FLSA FOR FISCAL YEAR 2011-12 (To Worksheet #7)	\$336,657 (2)
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(1) FROM 2011-12 PROPOSED BUDGET "ACCOUNT 3530 - SOCIAL SECURITY CITY PAID".

(2) FROM 2011-12 PAYROLL BASE BUDGET (COMPENSATION DETAIL REPORT) DATED 3/22/11, p. 267

(3) 1978-79 DATA ARE CONSTANT

GANN12 - 7A

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

WORKSHEET #7B
BUDGET BASIS
FISCAL YEAR 2011-12

	TOTAL NUMBER OF EMPLOYEES
JUNE 2010	1,749
JULY 2010	1,805
AUGUST 2010	1,762
SEPTEMBER 2010	1,717
OCTOBER 2010	1,719
NOVEMBER 2010	1,707
DECEMBER 2010	1,674
JANUARY 2011	1,701
FEBRUARY 2011	1,708
MARCH 2011	1,687
APRIL 2011	1,700
MAY 2011	1,682
Total	20,611
Divided by 12 Months	12
Average per Month	1,718 (1), (2)

(1) MONTHLY EMPLOYEE COUNT SHEET (FROM PAYROLL)

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