

**FISCAL YEAR 2025 TAX APPROPRIATIONS LIMIT**

## **Table of Contents**

**Page 1:** Executive Summary

**Page 2:** FY 2025 Alternative Adjustment Factors & Calculations of Tax Appropriations Limit

**Page 4:** FY 2025 Tax Appropriations Subject to the Tax Appropriations Limit

**Page 5:** Ten-Year History of Price and Population Factors and Tax Appropriations Limits

**Page 6:** Price and Population Information

**Page 9:** Assessed Valuation Attributed to New Non-Residential Construction

## **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 the 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 2025 is \$5,558,310,498. In accordance with Proposition 111 guidelines, the Fiscal Year 2025 Tax Appropriations Limit was calculated by adjusting the prior year's Tax Appropriations Limit using one of the adjustment factors. The recommended Fiscal Year 2025 adjustment factor was calculated using the price factor based on the percent change in assessed valuation in new non-residential construction (8.31%) and the population factor based on the percent growth in the City's population (0.08%), resulting in an adjustment factor of 1.0840. The use of this adjustment factor results in a Tax Appropriations Limit for Fiscal Year 2025 of \$5,558,310,498, an 8.40% increase over the Fiscal Year 2024 Tax Appropriations Limit of \$5,127,592,710.

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, other local taxes, and state subventions (unrestricted money received by a local agency from the state) less the amount paid in debt service on both voter approved debt and qualified capital outlays (a fixed asset, 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 2025 Proposed Budget as modified by the May Revision, projects the adjusted tax appropriations subject to the Tax Appropriations Limit to be \$1,590,340,764. The projected appropriations subject to the limit are estimated to be approximately \$3,967,969,734 below the recommended limit of \$5,558,310,498.

## FY 2025 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT

Under Proposition 111, there are two options available for each of the major adjustment factors. The values of these factors for the purpose of calculating the Fiscal Year 2025 adjustment are as follows:

### **Price Factors:**

|     |                                                                                                                                     |               |
|-----|-------------------------------------------------------------------------------------------------------------------------------------|---------------|
| (A) | Percent growth in State per Capita Personal Income:<br>(Source: Dept of Finance, California–Page 7)                                 | +3.62%        |
|     | <b>Price Factor A</b>                                                                                                               | <b>1.0362</b> |
| (B) | Percent change in Assessed Valuation in new<br>non–residential construction:<br>(Source: San Diego County Assessor’s Office–Page 9) | +8.31%        |
|     | <b>Price Factor B</b>                                                                                                               | <b>1.0831</b> |

### **Population Factors:**

|     |                                                                                      |               |
|-----|--------------------------------------------------------------------------------------|---------------|
| (C) | Percent growth in County Population:<br>(Source: Dept of Finance, California–Page 8) | +0.07%        |
|     | <b>Population Factor C</b>                                                           | <b>1.0007</b> |
| (D) | Percent growth in City Population:<br>(Source: Dept of Finance, California–Page 8)   | +0.08%        |
|     | <b>Population Factor D</b>                                                           | <b>1.0008</b> |

### **Annual Adjustment Factors (rounded to 4 decimal places):**

Based upon the actual data, the four annual adjustment factors are as follows:

$$\begin{aligned}
 (A \times C) &= (1.0362) \times (1.0007) = 1.0369 \\
 (A \times D) &= (1.0362) \times (1.0008) = 1.0370 \\
 (B \times C) &= (1.0831) \times (1.0007) = 1.0839 \\
 (B \times D) &= (1.0831) \times (1.0008) = 1.0840
 \end{aligned}$$

The recommended limit was calculated using the adjustment factor “(B x D)”, resulting in an 8.40% increase over the Fiscal Year 2024 Annual Tax Appropriations Limit. Of the four adjustment factors listed above, the 1.0840 adjustment factor represents the largest allowable increase to the appropriation limit.

### **Calculation of the Fiscal Year 2025 Limit:**

$$\begin{aligned}
 \text{Fiscal Year 2025 Limit} &= (\text{FY 2024 Limit}) \times (\text{Recommended Adjustment Factor}) \\
 &= (\$5,127,592,710) \times (1.0840) = \$5,558,310,498
 \end{aligned}$$

**FY 2025 ALTERNATIVE ADJUSTMENT FACTORS & CALCULATION OF TAX APPROPRIATIONS LIMIT****PRICE FACTOR (A)**

Percent growth in State Per Capita Personal Income  
(2024-2025)

Price Factor = 3.62

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (A) = (3.62 + 100)/100

**A = 1.0362**

**PRICE FACTOR (B)**

|      | Total<br>Assessed Valuation | Change in AV     | New non-residential<br>construction |
|------|-----------------------------|------------------|-------------------------------------|
| 2022 | \$310,375,890,925           |                  |                                     |
| 2023 | \$332,174,433,630           | \$21,798,542,705 | \$1,811,261,379                     |

Price Factor = New non-residential construction/Change in AV \*100  
8.31

Price Factor converted to ADJUSTMENT Factor = (price factor + 100)/100

Adjustment Factor (B) = (8.31 + 100)/100

**B = 1.0831**

**POPULATION FACTOR (C)**

Percent growth in County Population = 0.07

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (C) = (0.07 + 100) / 100

**C = 1.0007**

**POPULATION FACTOR (D)**

Percent growth in City Population = 0.08

Population Factor converted to ADJUSTMENT Factor = (population factor + 100)/100

Adjustment Factor (D) = (0.08 + 100) / 100

**D = 1.0008**

**ANNUAL ADJUSTMENT FACTORS**

|                                    |                   |               |            |
|------------------------------------|-------------------|---------------|------------|
| (A x C) Income x Cnty Pop          | (1.0362 x 1.0007) | <b>1.0369</b> | Low Value  |
| (A x D) Income x City Pop          | (1.0362 x 1.0008) | <b>1.0370</b> |            |
| (B x C) Non-residential x Cnty Pop | (1.0831 x 1.0007) | <b>1.0839</b> |            |
| (B x D) Non-residential x City Pop | (1.0831 x 1.0008) | <b>1.0840</b> | High Value |

FY 2024 Tax Appropriations Limit

'1'

\$5,127,592,710

Annual Adjustment factor

'2'

1.0840

FY 2025 Tax Appropriations Limit

'1x2'

\$5,558,310,498

## FY 2025 TAX APPROPRIATIONS SUBJECT TO THE TAX APPROPRIATIONS LIMIT

| Appropriations Subject to the Tax Appropriations Limit *                                                             |                  |           |                      |
|----------------------------------------------------------------------------------------------------------------------|------------------|-----------|----------------------|
| Property Tax                                                                                                         |                  | \$        | 807,860,561          |
| Property Tax (1)                                                                                                     |                  |           | 20,975,719           |
| Sales Tax                                                                                                            |                  |           | 393,480,788          |
| Safety Sales Tax                                                                                                     |                  |           | 13,564,755           |
| Transient Occupancy Tax (TOT)                                                                                        |                  |           | 328,606,350          |
| Property Transfer Tax                                                                                                |                  |           | 10,076,599           |
| Business Tax                                                                                                         |                  |           | 27,909,409           |
| Rental Unit Taxes                                                                                                    |                  |           | 7,284,502            |
| Interest Earnings                                                                                                    |                  |           | 2,100,000            |
| State Subventions                                                                                                    |                  |           | 31,700,000           |
| <b>Total Unadjusted Appropriations subject to the Limit</b>                                                          | <b>[A]</b>       | <b>\$</b> | <b>1,643,558,683</b> |
| Adjustment for appropriations not subject to the Tax Appropriations Limit *                                          |                  |           |                      |
| <u>Annual Debt Service for Voter Approved Debt (G.O. Bonds)</u>                                                      |                  |           |                      |
| <b>Total Annual Debt Service for Voter Approved Debt (2)</b>                                                         | <b>[B]</b>       | <b>\$</b> | <b>-</b>             |
| <u>Qualified Capital Outlays</u>                                                                                     |                  |           |                      |
| 2012B Fire and Life Safety Refunding Bonds                                                                           |                  |           | 1,398,569            |
| 2013A General Fund CIP Bonds                                                                                         |                  |           | 2,155,831            |
| 2015A&B General Fund CIP Bonds                                                                                       |                  |           | 6,898,375            |
| 2016 Ballpark Refunding Bonds (3)                                                                                    |                  |           | 9,288,625            |
| 2018A Lease Revenue Refunding Bonds (4)                                                                              |                  |           | 6,679,560            |
| 2020A General Fund CIP and Convention Center Expansion Refunding Bonds                                               |                  |           | 16,269,459           |
| 2021A General Fund CIP Bonds                                                                                         |                  |           | 5,917,982            |
| 2023A General Fund CIP Bonds                                                                                         |                  |           | 4,609,518            |
| <b>Total Qualified Capital Outlays</b>                                                                               | <b>[C]</b>       | <b>\$</b> | <b>53,217,919</b>    |
| <b>Total Adjustment</b>                                                                                              | <b>[D = B+C]</b> | <b>\$</b> | <b>53,217,919</b>    |
| <b>Total Adjusted Appropriations Subject to the Limit</b>                                                            | <b>[E = A-D]</b> | <b>\$</b> | <b>1,590,340,764</b> |
| Calculation of the Tax Appropriations Limit and Difference between the Limit and Appropriations Subject to the Limit |                  |           |                      |
| <b>Prior Year (FY 2024) Tax Appropriations Limit</b>                                                                 | <b>[F]</b>       | <b>\$</b> | <b>5,127,592,710</b> |
| <b>Adjustment Factor</b>                                                                                             | <b>[G]</b>       |           | <b>1.0840</b>        |
| <b>Tax Appropriations Limit for FY 2025</b>                                                                          | <b>[H = F*G]</b> | <b>\$</b> | <b>5,558,310,498</b> |
| <b>Projected appropriations are below the limit by:</b>                                                              | <b>[I = H-E]</b> | <b>\$</b> | <b>3,967,969,734</b> |

(1) Ad Valorem Tax imposed for Zoological Exhibits which is subject to the appropriation limit.

(2) No Annual Debt Service for Voter Approved Debt in FY 2025.

(3) As a result of the dissolution of the Redevelopment Agency, the 2016 Ballpark Refunding Bonds debt service payment is paid from Transient Occupancy Tax revenue.

(4) The 2018A Lease Revenue Refunding Bonds refunded the 2010A Master Refunding Bonds which refunded the 2009A Deferred CIP Bonds, the 1996B Balboa Park/Mission Bay Park Refunding CIPs and the 1996A Qualcomm Stadium Bonds. Stadium Bonds debt service is excluded, as revenues from stadium operations are sufficient to pay all debt service on those bonds.

\* Source: FY 2025 Proposed Budget and FY 2025 May Revision to the Proposed Budget Report.

**TEN-YEAR HISTORY OF PRICE AND POPULATION FACTORS &  
TAX APPROPRIATIONS LIMITS <sup>(1)</sup>  
FOR FISCAL YEARS 2016 TO 2025**

| <b>Fiscal Year</b> | <b>Price Adjustment</b> |   | <b>Population Adjustment</b> |   | <b>Total Adjustment</b> | <b>Appropriations Limit</b> |
|--------------------|-------------------------|---|------------------------------|---|-------------------------|-----------------------------|
| 2016               | 1.0720                  | X | 1.0161                       | = | 1.0893                  | \$2,101,916,808             |
| 2017               | 1.0866                  | X | 1.0094                       | = | 1.0968                  | \$2,305,382,355             |
| 2018               | 1.1327                  | X | 1.0112                       | = | 1.1454                  | \$2,640,584,949             |
| 2019               | 1.1145                  | X | 1.0133                       | = | 1.1293                  | \$2,982,012,583             |
| 2020               | 1.1255                  | X | 1.0054                       | = | 1.1316                  | \$3,374,445,439             |
| 2021               | 1.1183                  | X | 1.0027                       | = | 1.1213                  | \$3,783,765,671             |
| 2022               | 1.0889                  | X | 0.9963                       | = | 1.0849                  | \$4,105,007,376             |
| 2023               | 1.1383                  | X | 1.0013                       | = | 1.1398                  | \$4,678,887,408             |
| 2024               | 1.0973                  | X | 0.9987                       | = | 1.0959                  | \$5,127,592,710             |
| 2025               | 1.0831                  | X | 1.0008                       | = | 1.0840                  | \$5,558,310,498             |

(1) In 1980, the State Legislature added Division 9 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 on or before June 30 of each year for the following fiscal year, pursuant to which the City of San Diego has been establishing this limit since 1981.

April 30, 2024

Dear Fiscal Officer:

## Price Factor and Population Information

### Appropriations Limit

California Revenue and Taxation Code section 2227 requires the Department of 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, 2024, in conjunction with a change in the cost of living, or price factor, to calculate their appropriations limit for fiscal year 2024-25. Attachment A provides the change in California's per capita personal income and an example for utilizing the factors to calculate the 2024-25 appropriations limit. Attachment B provides the city and unincorporated county population percentage change. Attachment C provides the population percentage change for counties and their summed incorporated areas. 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. [California Revenue and Taxation Code section 2228](#) provides additional information regarding the appropriations limit. [Article XIII B, section 9\(C\) of the California Constitution](#) exempts certain special districts from the appropriations limit calculation mandate. 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 requirement should be directed to their county, district legal counsel, or the law itself. No state agency reviews the local appropriations limits.

### Population Certification

The population certification program applies only to cities and counties. California 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, 2024.** Please note: The prior year's city population estimates may be revised. The per capita personal income change is based on historical data.

If you have any questions regarding this data, please contact the Demographic Research Unit at (916) 323-4086.

/s Richard Gillihan

RICHARD GILLIHAN  
Chief Operating Officer

Attachment

May 2024

## Attachment A

- 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 fiscal year 2024-25 appropriation limit is:

| Per Capita Personal Income |                                      |
|----------------------------|--------------------------------------|
| Fiscal Year<br>(FY)        | Percentage change<br>over prior year |
| 2024-25                    | 3.62                                 |

- B. Following is an example using sample population change and the change in California per capita personal income as growth factors in computing a 2024-25 appropriation limit.

**2024-25:**

Per Capita Cost of Living Change = 3.62 percent  
 Population Change = 0.17 percent

Per Capita Cost of Living converted to a ratio:  $\frac{3.62 + 100}{100} = 1.0362$

Population converted to a ratio:  $\frac{0.17 + 100}{100} = 1.0017$

Calculation of factor for FY 2024-25:  $1.0362 \times 1.0017 = 1.0379$

Fiscal Year 2024-25

**Attachment B**  
**Annual Percent Change in Population Minus Exclusions\***  
**January 1, 2023 to January 1, 2024 and Total Population, January 1, 2024**

| <b>County<br/>City</b> | <b><u>Percent Change</u></b> | <b><u>--- Population Minus Exclusions ---</u></b> |               | <b><u>Total<br/>Population</u></b> |
|------------------------|------------------------------|---------------------------------------------------|---------------|------------------------------------|
|                        | <b>23-24</b>                 | <b>1-1-23</b>                                     | <b>1-1-24</b> | <b>1-1-24</b>                      |
| San Diego              |                              |                                                   |               |                                    |
| Carlsbad               | -0.63                        | 115,045                                           | 114,319       | 114,319                            |
| Chula Vista            | 0.54                         | 276,517                                           | 277,997       | 278,247                            |
| Coronado               | -0.54                        | 17,332                                            | 17,238        | 21,589                             |
| Del Mar                | 0.03                         | 3,918                                             | 3,919         | 3,919                              |
| El Cajon               | -0.60                        | 104,804                                           | 104,180       | 104,180                            |
| Encinitas              | -0.37                        | 61,254                                            | 61,028        | 61,028                             |
| Escondido              | -0.38                        | 150,571                                           | 150,002       | 150,002                            |
| Imperial Beach         | -0.05                        | 26,109                                            | 26,096        | 26,096                             |
| La Mesa                | -0.22                        | 60,753                                            | 60,620        | 60,620                             |
| Lemon Grove            | 0.19                         | 27,517                                            | 27,568        | 27,568                             |
| National City          | 0.32                         | 56,350                                            | 56,531        | 58,555                             |
| Oceanside              | -0.41                        | 172,186                                           | 171,483       | 171,483                            |
| Poway                  | 1.34                         | 48,620                                            | 49,273        | 49,273                             |
| San Diego              | 0.08                         | 1,368,583                                         | 1,369,714     | 1,385,379                          |
| San Marcos             | 1.24                         | 94,823                                            | 95,998        | 95,998                             |
| Santee                 | -0.64                        | 59,574                                            | 59,195        | 59,195                             |
| Solana Beach           | 0.44                         | 12,831                                            | 12,887        | 12,887                             |
| Vista                  | -0.39                        | 100,113                                           | 99,723        | 99,723                             |
| Unincorporated         | 0.31                         | 478,424                                           | 479,928       | 511,040                            |
| County Total           | 0.07                         | 3,235,324                                         | 3,237,699     | 3,291,101                          |

\*Exclusions include residents on federal military installations and group quarters residents in state mental institutions, state and federal correctional institutions and veteran homes.

**ASSESSED VALUATION ATTRIBUTABLE TO  
NEW NON-RESIDENTIAL CONSTRUCTION**

Percent change in Assessed Valuation in  
new non-residential construction within the City

$$= \frac{\text{New non-residential construction}^1}{\text{Change in assessed valuation (CY 2022 to CY 2023)}^2} \times 100$$

$$= \frac{\$1,811,261,379}{\$21,798,542,705} \times 100$$

$$= 0.0831 \times 100$$

$$= 8.31\%$$

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<sup>1</sup> Source: San Diego County Assessor's Office

<sup>2</sup> Source: San Diego County Assessor's Office

Assessed Valuation for Calendar Year 2022 = \$310,375,890,925

Assessed Valuation for Calendar Year 2023 = \$332,174,433,630

Change in Assessed Valuation = Assessed Valuation for 2023 –  
Assessed Valuation for 2022

= \$332,174,433,630 – 310,375,890,925

= \$21,798,542,705