



MEMORANDUM

Management Services Memo No. 14-057

DATE: APRIL 10, 2014
TO: MAYOR & COUNCIL
THRU: RICH DLUGAS, CITY MANAGER RD
NACHIE MARQUEZ, ASSISTANT CITY MANAGER NM
DAWN LANG, MANAGEMENT SERVICES DIRECTOR DL
FROM: GREG WESTRUM, BUDGET MANAGER AW
SUBJECT: ELECTION FOR ALTERNATIVE EXPENDITURE LIMITATION – HOME RULE OPTION

BACKGROUND

On June 3, 1980, the State of Arizona placed a new expenditure limitation on cities and towns. Arizona Revised Statutes (A.R.S.) prescribe a maximum spending limit based upon a formula incorporating expenditures in Fiscal Year 1979-80, adjusted for increases in population and inflation. A.R.S. also provides several alternatives to the State imposed spending limitations. Since 1982, the City of Chandler has adopted the alternative expenditure limitation referred to as the "Home Rule Option" which allows the City to establish its own expenditure budget based upon anticipated revenues and expenditures.

The alternative expenditure limitation "Home Rule," frees the community from any ties to the State imposed limitation and permits the Mayor and Council, along with the local electors of the community, to decide programs, service levels and methods of financing capital improvements. The Home Rule option must be adopted by resolution with a two-thirds Council majority vote and approved by a majority of the voters.

DISCUSSION

This Public Hearing is the first of two Public Hearings required by A.R.S. before Council can adopt a resolution to place the Home Rule option on the August 26, 2014 Primary Election ballot. If approved by the voters, the Home Rule alternative budget would begin with the FY 2015-16 Budget and be effective for four years. No Council action is required until the

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completion of the second public hearing on April 24, 2014. Public notice of the two Public Hearings to discuss the Home Rule option was published in the Arizona Republic newspaper on two different dates, as required by A.R.S, and has been posted on the City's web site. Chandler voters have approved the Home Rule option eight consecutive times since 1982, with the most recent Home Rule election approved in November 2010.

### **FINANCIAL IMPLICATIONS**

The maximum spending limitation using the state formula for the first effective year, FY 2015-16, is \$217,296,627, plus certain excludable items such as bond proceeds, interest income, and grants. The spending limitation for the FY 2015-16 Budget under the Home Rule option will be based on the FY 2014-15 Proposed Budget and will be calculated once the Proposed Budget is finalized over the next several weeks. The Home Rule alternative spending limitation for the 2010 Home Rule election was the FY 2011-12 adopted budget. The budget was approximately \$55 million higher than the state imposed limitation. The difference is expected to be somewhat larger for FY 2015-16.

The exact amount of the budgetary impact of Home Rule option versus the state imposed limitation will be part of the Second Public Hearing on April 24, 2014.

Attachment: Staff Presentation

c: Marsha Reed, Assistant City Manager

# CITY OF CHANDLER 2014 HOME RULE ELECTION PUBLIC HEARING #1



April 10, 2014  
City Council Chambers  
7:00 PM

*Management Services Department*



## Home Rule Election 2014



- Home Rule basic provisions
  - Allows the City to override the state imposed spending limitation
  - Provides more flexibility to establish budgets based on anticipated revenues
  - Authority must be re-established every 4 years
  - Requires two Public Hearings prior to Council action
  - Requires a 2/3 Council majority vote on the Resolution to place Home Rule on the ballot
  - Requires a majority vote of the public during either the primary or general election



## Home Rule Election 2014



### • Financial Implications

- State computed spending limit = \$217,296,627 + excluded items (interest income, bond proceeds, debt service costs, grants, etc.)
- Chandler Home Rule limit for 2015-16 will be calculated after the 2014-15 Proposed budget is finalized
- Potential impacts without approval of Home Rule
  - Reductions in street maintenance funding
  - Reductions in public safety funding
  - Deferral or cancellation of capital projects (arterial street improvements, construction of neighborhood parks, etc.)
  - Reductions to recreation, aquatics, and library programs
- If the 2010 Home Rule election had not been approved, the 2011-12 budget would have been reduced by approximately \$55M



## Home Rule Election 2014 Schedule



| Date  | Action   |
|---|--|
| April 10, 2014                                  | Public Hearing #1  |
| April 24, 2014                                  | Public Hearing #2  |
| April 24, 2014<br>(following Public Hearing #2) | Council votes on Resolution to place Home Rule on the August 26, 2014 ballot |
| April 28, 2014                                  | Financial information submitted to Auditor General                           |
| June 4, 2014                                    | Public voting pamphlet sent to Auditor General                               |
| August 26, 2014                                 | Public Vote as part of Primary Election                                      |
| September 11, 2014                              | Canvas vote – City Clerk submits results to Auditor General                  |