



MEMORANDUM

Management Services Memo No. 14-061

DATE: APRIL 24, 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, and allowing certain expenditure exclusions. 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 second 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. Following this Public Hearing, Council will be

MS Memo No. 14-061

4/24/14

Page 2

asked to approve placing the Alternative Expenditure Limitation on the ballot by approving Resolution No. 4752.

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 \$220,971,405 plus \$246,384,295 for certain estimated excludable items such as bond proceeds, interest income, and grants for a total of \$467,355,700. This compares to an estimated spending of \$571,480,000 of the total projected budget of approximately \$800 million for FY 2015-16, after eliminating certain excludable items such as bond proceeds, interest income, and grants.

The difference between the FY 2015-16 State maximum spending limit (\$467,355,700) and the projected spending (\$571,480,000) is over \$104 million representing the cost of programs, service levels and capital improvements expected by Chandler citizens that would not be available without approval of Home Rule.

Attachment: Staff Presentation

c: Marsha Reed, Assistant City Manager

CITY OF CHANDLER 2014 HOME RULE ELECTION PUBLIC HEARING #2



April 24, 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 for FY 2015-16
(FY 1979-80 budget x growth factor x inflation factor)



Base Calculation	+ Exclusions	Total
\$ 220,971,405	\$ 246,384,295	\$ 467,355,700

- City's anticipated spending of an over \$800 million budget with allowable spending exclusions for FY 2015-16

Base Calculation	+ Exclusions	Total
\$ 325,095,705	\$ 248,384,295	\$ 571,480,000

- Difference of over \$104 million in spending authority that would not be available without approval of Home Rule

Home Rule Election 2014



- 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



Home Rule Election 2014 Schedule



Date	Action
April 10, 2014 (completed)	Public Hearing #1
April 24, 2014	Public Hearing #2
April 24, 2014 (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

Home Rule Election 2014

Questions?