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MEMORANDUM: Management Services Memo No. 10-030

DATE: DECEMBER 3, 2009

TO: MAYOR AND COUNCIL

THRU: MARK PENTZ, CITY MANAGER
RICH DLUGAS, ASSISTANT CITY MANAGER RD
DENNIS STRACHOTA, MANAGEMENT SERVICES DIRECTOR
DAWN LANG, ASSISTANT DIRECTOR FOR FINANCE DL

FROM: DAWN IRVINE, BUDGET MANAGER Dine

SUBJECT: PUBLIC HEARING - PROPOSED LOCAL ALTERNATIVE EXPENDITURE
LIMITATION (ONE-TIME OVERRIDE OPTION)

DISCUSSION

State law requires that continuation of a local alternative expenditure limitation must be presented to the voters every four years. Recent changes in legislation require that the City of Chandler take its Home Rule option to the voters at a primary or regular election, occurring in the fall of an even year. The City can next do so in August or November 2010. Because the City's current Home Rule Option expires at the end of FY 2009-10, a one-time override must be presented to the voters for FY 2010-11. In advance of placing the One-Time Override on the ballot for a special election to be held on May 18, 2010, state statute requires that two public hearings be advertised and held by the City Council regarding this action; the first of which is scheduled for December 7th. For passage, City Council will vote on the alternative expenditure limitation by an affirmative two-thirds vote at a "special meeting" immediately following the second public hearing on December 10th.

BACKGROUND

Every four years since February 23, 1982, City of Chandler voters have approved a local Home Rule Option, which allows the City to adopt a budget equal to the revenues collected each year. Following this cycle the City would have proceeded with a spring 2010 election to vote on the Home Rule Option for the next four years. Recent legislation, however, now requires that the City hold such an election in the fall of an even year. Without Home Rule, the State imposed limitation reduces the budget a City may adopt based on the levels of service provided in FY 1979-80. To allow the City to continue providing services to its citizens beyond the level of service in place 30 years ago, a one-time override must be presented to the voters for FY 2010-11. Notices for public hearings have been advertised and hearings are scheduled for Monday, December 7th and Thursday, December 10th.

FINANCIAL IMPLICATIONS

As indicated below, services and service levels to the citizens of Chandler would be adversely impacted in Fiscal Year 2010-11 under the State imposed limit.

<u>Fiscal Year</u>	<u>Estimated Revenues</u>	<u>Maximum Expenditure Under One-Time Override</u>	<u>Expenditure Under State Limit</u>	<u>One-Time Override versus State Limit</u>
2010-11	\$336,155,231	\$336,155,231	\$287,155,231	\$49,000,000

Even under the maximum expenditures (\$336 million) allowed with approval of the One-Time Override, the City would need to reduce its budget for FY 2010-11 as its revenues decline during this economic recession. The State expenditure limitation based on these three-decade old spending levels would require the City to reduce its budget another \$49 million or 15 percent. With consistently the lowest staffing levels and tax and fee burdens among comparably sized cities in the Valley, Chandler has demonstrated its commitment to cost effective public services. By overwhelming majorities, Chandler voters have acknowledged this commitment with the approval of Home Rule Option in all 7 elections held since 1982. Placing the One-Time Override and the subsequent Home Rule Option on the ballot will allow Chandler citizens, not State law, to decide the City's financial future.

Resolution No. 4354 is scheduled for adoption December 10, 2009, recommending the setting of a special election on May 18, 2010 and recommending a One-Time Override be submitted to the voters of the City of Chandler at the special election scheduled for May 18, 2010.

PROPOSED MOTION

None Required