



Alternative Expenditure Limitation

Four Different Options

March 14, 2016



What is the State-Imposed Expenditure Limitation?

- Arizona Constitution and Arizona Revised Statutes impose an expenditure limitation on every City and Town in the State.
 - Baseline expenditures from FY 1979-1980
- State Economic Estimates Commission adjusts each year
 - Standard inflation rate
 - Population growth
- Specified expenditures are excluded
 - Bond proceeds
 - Interest income
 - Grants
 - Intergovernmental revenues



Why Doesn't the State-Imposed Limitation Work in Avondale?

- Assumes the 1980 budget provided sufficient service levels
 - Parks and recreation
 - Social service programs
- Does not account for new revenue sources
 - ½ cent sales tax for infrastructure and transportation
 - ½ cent sales tax for public safety
 - Impact fees for development
- Does not account for commercial activity
 - Growth factor covers population and average inflation
 - Auto mall
 - Gateway Pavilions



How Much Would We Have to Cut Our Budget?

FY 2016 City Budget	176,731,990
Exemptions (Estimated)	(45,000,000)
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Estimated City Budget Subject to the Expenditure Limitation	131,731,990
FY 2016 State-Imposed Expenditure Limitation	49,716,471
Amount Required to be Cut from the Budget	82,015,519



State Offers Four Different Options

- Permanent Adjustment of Expenditure Base
 - Must be used until voters approve new base
- Capital Projects Accumulation Fund
 - Appropriate when operating budget falls under State limit
 - Voters approve revenue and projects for expenditure
- One-Time Override
 - One year only
 - No permanent impact on expenditure limitation
- Home Rule (Alternative Expenditure Limitation)
 - Council sets the expenditure limitation
 - Authority lasts 4 years



Extension of Home Rule Option

- Allows City Council to authorize the budget appropriation
- Must be approved every four years
 - 1981, 1985, 1989, 1997, 2001, 2005, 2009, and most recently 2013
 - 2013 was approved by a large margin of 83.09%
- Two public hearings are required
 - March 21st
 - April 4th



Recommendation

- Staff recommends that the City Council move forward with the home rule option and advertise and hold the required public hearings.
 - Public comfortable
 - Has been in place since 1981
 - Allows service levels to remain the same
 - Allows efficiency in spending the sales taxes authorized by voters



Questions?