

# HOME RULE

## - LOCAL CONTROL OF MUNICIPAL BUDGETING -

City of Mesa

06/04/2018

Candace Cannistraro: Management and Budget Director



# HOME RULE – LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION

Allows the city to maintain local control of the annual budget amount and determine the necessary expenditure limitation while remaining within available revenues and resources

- City of Mesa has had a Home Rule expenditure limitation option in effect since FY 2000/01
- Renewal of Home Rule in November 2018 would be effective for FY 2019/20 – FY 2022/23
- Without the Home rule option, the City would be subject to the State Expenditure Limitation which is based on the budget set in FY 1979/80 adjusted for inflation and population

# WHY THE STATE EXPENDITURE LIMITATION FORMULA DOES NOT WORK

- Does not take into account voter approved revenue streams
  - Quality of Life Sales Tax \$25M
  - Local Streets Sales Tax \$30M
  - General Fund Sales Tax \$20M
- Does not take into account new revenue streams and changes to accounting structure
  - Environmental Compliance Fee \$15M
  - Employee contributions to medical/dental \$30M
  - Revenues from new facilities/services \$10M
  - Miscellaneous restricted use fees \$ 5M

# DISINCENTIVE FOR PAY-AS-YOU-GO PROJECTS

- In 17/18, regional revenues used for street projects were \$15M above the annual amount, therefore the use of fund balance for **\$15M would be subject to the expenditure limit**
- In 17/18, Local Streets Sales Tax funded streets projects were budgeted at \$20M above the annual amount, therefore the use of fund balance for **\$20M would be subject to the expenditure limit**
- The Mesa Arts Center is an example of a large cash project. If Home Rule had not been in place, the project cost would have been subject to the expenditure limitation and financing the project would have been encouraged

# IMPACT IF HOME RULE IS NOT CONTINUED

- The FY 19/20 budget would need to be reduced by about \$200M from the expenditures that are subject to the limitation
- Expenses NOT subject to the limitation are
  - Bond proceeds, Debt Service, Highway User Funds, Community Facilities Districts, Joint Ventures, Grants, most of the Trust Funds, etc.
- The bulk of the expenses subject to the limitation are the General Governmental Funds and the Local Streets Sales Tax
  - FY 18/19 is \$475.7M for these expenses
    - Public Safety depts = \$261.8M                      Non-public safety depts = \$213.9M
  - \$200M would be 42.0% of the total

