

City of Mesa
State Imposed Expenditure Limitation
Home Rule Continuation

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The Arizona Constitution

- Requires the adoption of a balanced budget. Estimated revenues and resources equal to appropriated expenditures.
- Imposes an expenditure limitation for all cities and towns based on FY1979/80, adjusted for population growth and inflation.
- Allows for local election approval of an Expenditure Limitation Alternative.

Types of Expenditure Limitation Alternatives

Home Rule

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. Effective for four years.

Permanent Adjustment of Expenditure Base

Allows the City to permanently adjust the expenditure base to a level other than the FY1979/80 amount. The new base is then adjusted for population and inflation in future years.

One-Time Override Alternative

Allows for exceeding the State imposed expenditure limitation for one fiscal year.

Sanctions for Exceeding the Expenditure Limitation

If the State Auditor General determines a city has exceeded the expenditure limitation, a portion of its share of the state income tax allocation is withheld.

The penalty is assessed as follows:

- Exceeding by less than 5%
penalty will equal the amount of the excess.
- Exceeding by more than 5%, but less than 10%
penalty will be three times the excess.
- Exceeding by more than 10%
penalty will be five times the excess or 1/3 of the state income tax allocation, whichever is less.

City of Mesa Current Home Rule

A home rule alternative was approved by voters in March 2000

It was renewed in March 2004, March 2008, November 2010, November 2014, and November 2018

The current authorization will expire June 30, 2023

The State Limitation Formula

- The State imposed expenditure limitation is adjusted for population growth and inflation.
- Locally approved funds are not taken into consideration.
 - Examples are Mesa's Quality of Life sales tax, Local Streets sales tax and the Proposition 400 regional transportation improvements.
 - Mesa's Quality of Life sales tax currently funds 120 police officers and 65 firefighters.
 - The Local Street sales tax partially funds the operations of the Transportation Department while the Prop 400 revenues are used for construction projects to improve roads.
 - Public Safety Sales Tax

Effect of Nonrenewal of Home Rule

If an expenditure limitation alternative had **not** been in effect for FY2021/22, the City would have been required to **reduce** its budget by about **\$669M** to comply with the State imposed expenditure limitation.

If the State limitation had been **exceeded** by more than 10%, the expected penalty applied to FY2022/23 would have been **\$32.4M** (based on one-third of the FY2022/23 state shared revenue).

A Home Rule Election

May be referred to voters by a **2/3** vote of the City Council. (5 votes)

Is required to be presented at a regularly scheduled election for the nomination or election of City Councilmembers.

Staff recommends Home Rule to be placed on the November 2022 ballot.

If approved by voters, it will apply to the **four** succeeding fiscal years.

A November 2022 approval would apply to fiscal years **2023/24 - 2026/27**.

Home Rule Actions

For submission of a Home Rule Alternative on the
November 2022 Ballot:



