

Permanent Base Adjustment

City of Mesa
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Presented by:

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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.

Expenditure Limitation Formula

FY1979/80 revenue collections

×

Population growth

×

Inflation (CPI)

Expenditure Limitation

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 to 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.

What the 1979/80 expenditure limitation does not take into consideration

- Does not take into consideration services added by the City since 1980
- Does not account for increases in revenue collected
- Removes control over annual budget from City Council/Residents
- The City would still collect revenue at current levels, just could not spend that additional revenue
- The City is still required to adopt a balanced budget, whether the City is exempted from expenditure limitation or not

What the
1979/80
expenditure
limitation does
not take into
consideration

- Does not take into account voter approved revenue streams

FY 22/23

- | | |
|-----------------------------|-------|
| • Public Safety Sales Tax | \$41M |
| • Quality of Life Sales Tax | \$41M |
| • Local Streets Sales Tax | \$50M |
| • General Fund Sales Tax | \$33M |

Impact if an exemption is not approved

- The FY 23/24 budget would need to be reduced by about **\$1.1B** from the expenditures that are subject to the limitation
- Expenses NOT subject to the limitation are:
 - Voter approved Bond proceeds, some 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:
 - General Governmental Funds, Public Safety Sales Tax, Local Streets Sales Tax, and Utility Fund

Expenditure limitation alternatives...

- are **NOT** a tax increase.
- establish a new expenditure limit.
- do **NOT** allow the City to exceed the adopted budget. Council still must adopt a balanced budget.
- allow the City to maintain existing and plan for future services.

City's Current Alternative – 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, November 2018, and November 2022



The current authorization will expire June 30, 2027

Permanent Base Adjustment

What is Permanent Base Adjustment?

FY1979/80 revenue collections +
Revenue adjustments

×

Population growth

×

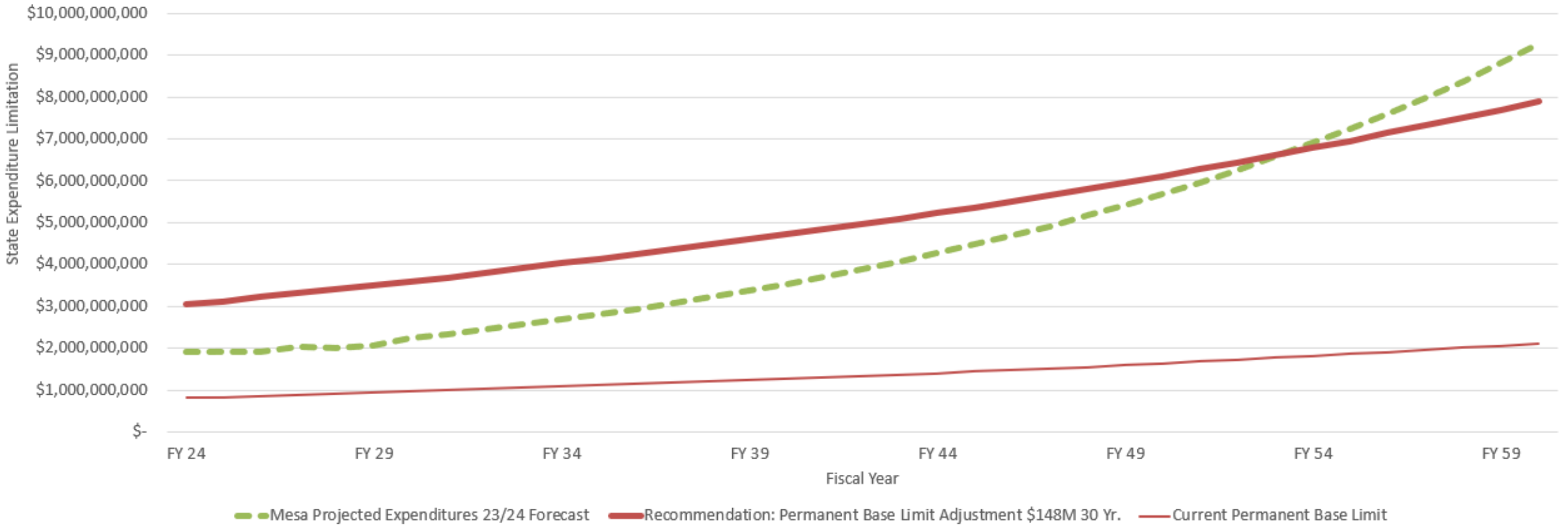
Inflation (CPI)

Expenditure Limitation

<u>FISCAL</u> <u>YEAR</u>	<u>BASE</u>		<u>POPULATION</u> <u>FACTOR</u>		<u>INFLATION</u>		<u>STATE</u> <u>EXPENDITURE</u> <u>LIMIT</u>	<u>ACTUAL</u> <u>&PROJECTED</u> <u>EXPENDITURES</u>
21/22	\$54,090,640	x	3.88	x	3.17	=	\$666,186,664	\$980,517,660
22/23	\$54,090,640	x	3.93	x	3.31	=	\$703,470,338	\$1,222,420,971
23/24	\$54,090,640	x	3.97	x	3.56	=	\$764,156,316	\$1,904,751,643
24/25	\$54,090,640	x	4.08	x	3.78	=	\$834,427,175	\$1,907,458,275
25/26	\$54,090,640	x	4.10	x	3.88	=	\$860,881,721	\$1,919,646,366
26/27	\$54,090,640	x	4.13	x	3.97	=	\$885,831,156	\$2,031,479,933
27/28	\$54,090,640	x	4.14	x	4.06	=	\$910,187,941	\$2,003,972,785

Example: State Imposed Expenditure Limit

30-Year \$148M Permanent Base Adjustment



Tagline

As allowed by the Arizona Constitution, shall the City of Mesa permanently adjust the 1979-80 expenditure base limit by \$148 million, which will not increase taxes and which is estimated to provide annual expenditure capacity for 30 years?

A "YES" vote shall have the effect of permanently adjusting the City's expenditure base limit by \$148 million. This is not a tax increase.

A "NO" vote shall have the effect of retaining the existing expenditure base limit set in 1979-80.



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