

HOME RULE

- LOCAL CONTROL OF MUNICIPAL BUDGETING -

City of Mesa

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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

