

Alternative Expenditure Limitations

aka “Home Rules”



History & Background

- Property taxes were increasing at a greater rate than were personal incomes.
- Based on base year (79-80) expenditures, revised annually for population changes and inflation.
- Sections 20 and 21 added to Article IX of the Arizona Constitution and ARS §41-1279.07 adopted to limit local government spending.



Applicability

- Effective date for Cities & Towns: fiscal year after first regularly scheduled election of governing board members after July 1, 1980
- EEC Provides Expenditure Limitations
 - Preliminary by February 1
 - Final by April 1
 - Changes (Annexations and PBAs)



Alternative Expenditure Limitations (Home Rules)

- Applies to cities and towns only
- Must be approved by the voters
- No restriction on method of calculation
- Analyses of proposal must be approved by the Auditor General
- Effective for four fiscal years beginning with fiscal year after voter approval



Permanent Adjustments of the Base Limit

- Must be approved by the voters
- No limitation on amount of adjustment
- Analyses of proposal must be approved by the Auditor General
- Effective the fiscal year following voter approval and THEREAFTER



One-Time Overrides

- Must be for a SPECIFIC AMOUNT
- Must be approved by the voters
- Does NOT require Auditor General review

- See the Constitution and A.R.S. §41-563.01 & .02 for further information



Elections/Timing

➤ Home Rule

- Regularly scheduled election for nomination or election of council members
- 2 year waiting period before re-proposal



Home Rule

- Resolution
- Detailed Analysis
- Summary Analysis
- Summary Analysis Worksheet

Sample documents published by the League of Arizona Cities and Towns at:

www.azleague.org



1st Steps

A.R.S. §41-563.01

- Board must hold 2 public hearings
- Notices of hearings must be published in a newspaper of general circulation
- Board votes
- After vote, must publish record of the vote and, if approved:
 - Amount of excess expenditures
 - Purpose(s) of excess expenditures
 - Sources of revenues used to finance expenditures



Resolution

- Used to adopt an alternative expenditure limitation
- May have an “emergency clause”
- Requires a 2/3 vote
- Must be adopted by the City/Town Council and signed by the Mayor prior to review



RESOLUTION # _____

A RESOLUTION OF THE CITY/TOWN OF _____ PROPOSING AN (EXTENSION OF THE) ALTERNATIVE EXPENDITURE LIMITATION.

WHEREAS, THE ARIZONA STATE CONSTITUTION PERMITS THE SUBMISSION TO THE VOTERS OF A CITY OR TOWN OF AN ALTERNATIVE EXPENDITURE LIMITATION; AND

(WHEREAS, THE VOTERS OF THE CITY/TOWN OF _____ IN 20__ ADOPTED AN ALTERNATIVE EXPENDITURE LIMITATION; AND)

WHEREAS, THE CITY/TOWN COUNCIL OF _____ AFTER TWO PUBLIC HEARINGS HAS DETERMINED THAT AN (EXTENSION OF THE) ALTERNATIVE EXPENDITURE LIMITATION IS NECESSARY FOR THE CITY/TOWN OF _____.

NOW, THEREFORE, BE IT RESOLVED BY THE CITY/TOWN COUNCIL OF _____ THAT THE FOLLOWING ALTERNATIVE EXPENDITURE LIMITATION BE SUBMITTED TO THE VOTERS OF THE CITY/TOWN OF _____.

SHALL THE FOLLOWING BE ADOPTED BY THE CITY/TOWN OF _____ AS AN ALTERNATIVE EXPENDITURE LIMITATION:

"THE MAYOR AND COMMON COUNCIL OF THE CITY/TOWN OF _____ SHALL ANNUALLY, AS PART OF THE ANNUAL BUDGET ADOPTION PROCESS, ADOPT AN ALTERNATIVE EXPENDITURE LIMITATION EQUAL TO THE TOTAL AMOUNT OF BUDGETED EXPENDITURES/EXPENSES AS IT APPEARS ON THE ANNUAL BUDGET AS ADOPTED BY THE COUNCIL TO APPLY TO THE CITY/TOWN OF _____ FOR EACH OF THE FOUR FISCAL YEARS IMMEDIATELY FOLLOWING ADOPTION OF THE ALTERNATIVE EXPENDITURE LIMITATION. THE ALTERNATIVE EXPENDITURE LIMITATION SHALL BE ADOPTED EACH YEAR AFTER A PUBLIC HEARING AT WHICH THE CITIZENS OF THE CITY/TOWN OF _____ MAY COMMENT ON THE PROPOSED ALTERNATIVE EXPENDITURE LIMITATION. NO EXPENDITURES MAY BE MADE IN VIOLATION OF SUCH ALTERNATIVE EXPENDITURE LIMITATION, NOR MAY ANY PROPOSED EXPENDITURES BE IN EXCESS OF ESTIMATED AVAILABLE REVENUES, EXCEPT THAT THE MAYOR AND THE COMMON COUNCIL MAY, BY THREE-FOURTHS VOTE, DECLARE AN EMERGENCY AND SUSPEND THE ALTERNATIVE EXPENDITURE LIMITATION. THE SUSPENSION OF THE ALTERNATIVE EXPENDITURE LIMITATION SHALL BE IN EFFECT FOR ONLY ONE FISCAL YEAR AT A TIME."

PASSED AND ADOPTED BY THE CITY/TOWN COUNCIL OF _____, THIS _____ DAY OF _____, 20__.

Mayor

ATTEST:

City/Town Clerk

APPROVED AS TO FORM:

City/Town Attorney

Detailed Analysis

➤ Contains:

- Resolution #
- Estimated expenditure amounts
- Areas of expenditures
- Estimated revenue amounts
- Assumptions used to estimate revenue



Summary Analysis

➤ Contains:

- Total amounts of estimated expenditures under the Home Rule AND the State-Imposed Expenditure Limitation
- Areas of expenditures
- Total amounts of estimated revenue
- A statement that “If the alternative expenditure limitation is not approved by a majority of the qualified voters, the state-imposed expenditure limitation will apply.”



Summary Analysis Worksheet

➤ Contains:

- Total amounts of estimated expenditures under the State-Imposed Expenditure Limitation
- Most recent prior fiscal year population figures
- Base limit expenditure and population figures
- Most recent inflation factors
- Estimated exclusions used to calculate the State-Imposed Expenditure Limitation

Detailed Analysis

- Estimated Expenditure Amounts
 - Agree between paragraph and table
 - Agree to Summary Analysis
 - Mathematically accurate in table
- Description of Expenditure Purposes
 - Specific/Informative
 - Agree between paragraph and table
 - Agree to Summary Analysis



Detailed Analysis

- Estimated Revenue Amounts
 - Mathematically accurate in table
 - Sufficient for Projected Expenditures
 - Agree to Summary Analysis
- Revenue Assumptions
- Other information



ALTERNATIVE EXPENDITURE LIMITATION (Home Rule Option) DETAILED ANALYSIS

Pursuant to the Arizona State Constitution, the City/Town of _____ as authorized by Resolution # _____ passed on _____ will seek voter approval to adopt an alternative expenditure limitation (Home Rule Option) to apply to the City/Town for the next four years beginning in 2011-2012.

Under a Home Rule Option if approved by the voters, the city/town estimates it will be allowed to expend approximately \$ _____ in 2011-2012, \$ _____ in 2012-2013, \$ _____ in 2013-2014, and \$ _____ in 2014-2015.

With approval of the Home Rule Option, the city/town will utilize the expenditure authority for all local budgetary purposes including _____. We estimate that the expenditures for the next four years under the Home Rule Option will be as follows:

Purposes should agree

ESTIMATED AMOUNTS TO BE EXPENDED IN SPECIFIC AREAS

Purpose	2011-2012	2012-2013	2013-2014	2014-2015
Total Expenditures				

Amounts should agree

If approved, the expenditures authorized will be funded from revenues obtained from federal, state and local sources. It is estimated that the amount of revenue from each source for the next four years will be as follows:

ESTIMATED AMOUNTS OF REVENUE FROM EACH AND ANY SOURCE

Source	2011-2012	2012-2013	2013-2014	2014-2015
Federal				
State				
Local				
Total Revenues				

Revenues ≥ Expenditures

(The city/town property tax shall be limited to the amount prescribed in the Arizona State Constitution). In determining the revenue sources to fund the authorized additional expenditures under the alternative expenditure limitation, it is assumed that the federal, state and local revenues received by the city/town will continue to be available in 2011-2012 as they have for the past _____ years. Their continued availability is also assumed for the next three consecutive years following 2011-2012.

Any and all dollar figures shown in this analysis are estimated figures only and are based upon information available at the time of preparation of this report. The budgets and actual expenditures in any given year may be more or less than the figures noted above depending on available revenues. The actual expenditure limitation for each fiscal year shall be adopted as an integral part of the budget for that fiscal year.

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Revenue and Expenditure Estimates

- Prepared for Home Rule Analyses
 - Our Office does not review these amounts for reasonableness
- Entity's best estimates

Summary Analysis

- Estimated Expenditure and Revenue Amounts
 - Agree to Detailed Analysis
- Description of Expenditure Purposes
 - Specific/Informative
 - Agree to Detailed Analysis
- Estimated Expenditures under the State-Imposed Limitation
 - Agree to Summary Analysis Worksheet



(The voters of the City/Town of _____ in 20__ adopted an alternative expenditure limitation (Home Rule Option). The purpose of this election is for the continued use of the Home Rule Option.)

Pursuant to the Arizona State Constitution, the City/Town of _____ seeks voter approval to adopt a Home Rule Option to apply to the city/town for the next four years beginning in 2011-2012. Under a Home Rule Option if approved by the voters, the city/town estimates it will be allowed to expend approximately \$_____ in 2011-2012, \$_____ in 2012-2013, \$_____ in 2013-2014, and \$_____ in 2014-2015.

With approval of the Home Rule Option, the city/town will utilize the expenditure authority for all local budgetary purposes including _____.

Under the state-imposed limitation the city/town estimates it will be allowed to expend approximately \$_____ in 2011-2012, \$_____ in 2012-2013, \$_____ in 2013-2014, and \$_____ in 2014-2015 for the operation of your local government. These expenditure estimates include expenditures of constitutionally excludable revenues.

The amount of revenue estimated to be available to fund the operation of your city/town government is \$_____ in 2011-2012, \$_____ in 2012-2013, \$_____ in 2013-2014, and \$_____ in 2014-2015. These revenue estimates are the same under the Home Rule Option or the state-imposed expenditure limitation. (The city/town property tax shall be limited to the amount prescribed in the Arizona State Constitution.)

Any and all dollar figures presented in this summary are estimates only and are based upon information available at the time of preparation of this analysis. The budget and actual expenditures in any of the four years may be more or less than the expenditures noted above depending on available revenue.

If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the city/town.

Calculated
on SA
Worksheet

Summary Analysis Worksheet

- Prior Fiscal Year Population Numbers
 - Published by the State's Population Statistic Unit
 - What years should you use?

Example:

If HR proposal is for 2011-12 through 2014-15---
Use Populations for 2010 through 2013



Summary Analysis Worksheet

- Correct 1978 Population Number
 - # used in most current EEC final or preliminary calculated state-imposed limitation for the entity
- Correct Population Factors
 - Prior year population ÷ 1978 population
 - Round to 4 decimal places
 - MS Excel formula
$$=ROUND(\text{cell addresses},4)$$



Summary Analysis Worksheet

- Correct 1979-80 Base Year Expenditures
 - # used in most current EEC final or preliminary calculated state imposed limitation for the entity
 - Includes the impact of any previous PBA
- Current Inflation Factors for Prior Fiscal Year
 - From AZ Department of Revenue (issued 3-4 times per year)
 - For 2011-12 through 2014-15
 - Use Inflation factors for 2010 through 2013



ALTERNATIVE EXPENDITURE LIMITATION (Home Rule Option) SUMMARY ANALYSIS WORKSHEET

POPULATION FACTOR COMPUTATION

Fiscal Year	Prior Fiscal Year Population	÷	1978 Population	=	Population Factor
2011-2012	Obtained from the State's Population Statistics Unit	÷	Obtained from the Economic Estimates Commission	=	Round to <u>4</u> Decimal Places
2012-2013		÷		=	
2013-2014		÷		=	
2014-2015		÷		=	

Amounts Should Match

STATE-IMPOSED EXPENDITURE LIMITATION

Fiscal Year	1979-80 Base Limit	x	Population Factor	x	Inflation Factor	=	Projected State-Imposed Expenditure Limitation	+	Estimated Exclusions	=	Total Expenditures Under State-Imposed Limit
2011-2012	Obtained from the Economic Estimates Commission	x		x	Obtained from the Department of Revenue	=		+		=	
2012-2013		x		x		=		+		=	
2013-2014		x		x		=		+		=	
2014-2015		x		x		=		+		=	

Amount on Summary Analysis



Constitutional Exclusions

AZ Constitution Article IX, §20

- Constitutional **EXCEPTIONS** to the definition of **LOCAL REVENUES**
 - Expenditure Types
 - Revenue Sources

- Examples: Debt Service Payments, Grants and Aid from the Federal Government, and HURF Revenues in excess of those received in FY 79-80.

Publicity Pamphlet

- MUST submit copy to Auditor General
- RECOMMEND submitting DRAFT copy to Auditor General for COMMENT
- Should include:
 - Official Title, Descriptive Title and # by which the limitation will be designated
 - True copy of the title and text of the proposed limitation to be voted upon (Resolution)
 - Summary Analysis approved by our Office
 - Arguments for and against



Election Results

- The Auditor General's Office and the Economic Estimates Commission must be notified of the election's outcome immediately.
 - Official canvass of the election results or the resolution adopting the official results



Resources

➤ Information on our Web site:

www.azauditor.gov/Reports/Cities_Towns/Cities_Towns

- **UERS Manual (pdf)**
- **Memos**
- **Forms**
- **FAQs**



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More Questions?

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