



Town of Queen Creek

Update on Arizona Expenditure Limitation – Analysis of the Permanent Base Adjustment Option

Town Council Meeting

October 20, 2021

Purpose of Presentation

- Background
- Progress Update
- Preliminary Budget Estimates
- Exclusions & Calculations
- Process
- Remaining Tasks



Background

- **Enacted in 1979/80 by the Arizona Legislature to Limit Government Spending**
 - Property taxes were increasing at a greater rate than personal incomes
 - Uses 1978 population and 1979/80 “Base Limit”
 - Base adjusts every year for population and inflation

Queen Creek “Base”:

2,525 population
\$818,277 expenditures
- **Local Options Exist to Override the Limit**
 1. Home Rule (Town’s approach since incorporation)
 2. Permanent Base Adjustment



Comparison – Home Rule vs. Permanent Base Adjustment



	Home Rule	Permanent Base Adjustment
Voter Approval	Every 4 Years	One Time
Expenditure Limit	Annual Adopted Budget	Approved Base, Adjusted for Population and Inflation
Exclusions	Voter Approved	Constitutional
Public Hearings	2	None
Example Cities	Mesa Chandler Avondale Prescott Marana	Gilbert Scottsdale Tempe Goodyear Surprise Apache Junction

Expenditure Limitation – by the numbers

(in millions)

Fiscal Year	Queen Creek's Expenditure Limit (Adopted Budget) (A)	Actual Expenditures (B)	Legal Expenditure Limit w/o Alternative (C)	Reduction Needed (C – B)
2019/20	\$452.7	\$239.3	\$49.2	(\$190.1)
2020/21	\$409.1	\$192.3*	\$57.4	(\$134.9)*
2021/22	\$487.2	n/a	\$63.5	n/a

* Preliminary Estimate – final amount will be known after FY 2020/21 audit is complete.

Progress Update

- **Town Council Meeting August 4, 2021**
 - Direction to explore Permanent Base Adjustment
- **Preliminary Expenditure Estimates**
 - “Build Out” (approx. 30 year outlook)
 - Operating Budgets
 - CIP
 - Debt
- **Resources**
 - Auditor General
 - AZ League of Cities and Towns
 - Other Cities





Preliminary Budget Estimates



Estimates – Total Budget Current vs. Future

	FY 21-22 Adopted Budget	30-Year Build-Out Budget Estimate*
Operations	\$135M	\$658M
Capital	\$323M	\$175M
Debt Service	<u>\$29M</u>	<u>\$83M</u>
Total	<u>\$487M</u>	<u>\$916M</u>
Population	68,500	145,000

* Estimated Build Out in 30 Years

Estimates – Operations Budget Current vs. Future



	FY 21-22 Adopted Budget	% of Total	30-Year Build-Out Budget Estimate*	% of Total
Police	\$19M	14%	\$115M	17%
Fire	\$14M	10%	\$89M	14%
Transportation	\$16M	12%	\$83M	13%
Parks & Recreation	\$3M	2%	\$50M	8%
Utilities – Water, Sewer, Solid Waste	\$34M	25%	\$167M	25%
All Other Services	<u>\$49M</u>	<u>37%</u>	<u>\$154M</u>	<u>23%</u>
Total	<u>\$135M</u>	<u>100%</u>	<u>\$658M</u>	<u>100%</u>

* Estimated Build Out in 30 Years

Comparisons to Other Cities



	Queen Creek FY 21-22 Adopted Budget	Queen Creek 30-Year Build-Out Budget Estimate*	Gilbert FY 21-22 Budget	Chandler FY 21-22 Budget	Surprise FY 21-22 Budget	Goodyear FY 21-22 Budget
Operations	\$135M	\$658M	\$617M	\$638M	\$305M	\$286M
Capital	\$323M	\$175M	\$317M	\$346M	\$121M	\$245M
Debt Service	<u>\$29M</u>	<u>\$83M</u>	<u>\$54M</u>	<u>\$74M</u>	<u>\$12M</u>	<u>\$37M</u>
Total	<u>\$487M</u>	<u>\$916M</u>	<u>\$988M</u>	<u>\$1,058M</u>	<u>\$438M</u>	<u>\$568M</u>
Current Population	68,500	145,000 *	268,600	275,400	142,700	92,900

* Estimated Build Out in 30 Years



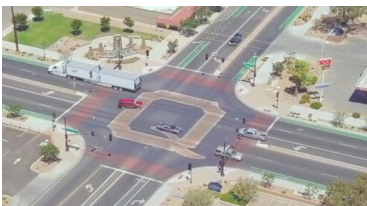
Permanent Base Adjustment Exclusions & Calculations

Permanent Base Adjustment Exclusions

- “Exclusions” are spending that is not subject to the Expenditure Limit
- 14 Exclusions Allowed in the Constitution
 - Article 9, Section 20
- Examples:
 - Federal grants
 - State grants
 - HURF funds



Permanent Base Adjustment Exclusions



Description	30-Year Build- Out Budget Estimate
A. Total Budgeted Expenditures	\$ 916,000,000
B. Less exclusions claimed:	
1. Debt proceeds	-
2. Debt service requirements	(83,000,000)
3. Dividends, interest, and gains on the sale or redemption of investment securities	(1,000,000)
4. Trustee or custodian	-
5. Grants and aid from the federal government	-
6. Grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes	-
7. Amounts received from the State of Arizona	-
8. Quasi-external interfund transactions	(28,000,000)
9. Amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements	-
10. Highway user revenues in excess of those received in fiscal year 1979-80	(9,000,000)
11. Contracts with other political subdivisions	-
12. Refunds, reimbursements, and other recoveries	-
13. Prior years carryforward	-
14. Qualifying capital improvement expenditures repaid in accordance with A.R.S. §41-1279.07	-
Total exclusions claimed	(121,000,000)
C. Amounts subject to the expenditure limitation	\$ 795,000,000

Permanent Base Adjustment Calculations (Estimates Only)



		Amount
(1)	Current 1980 Base Limit	\$818,000
(2)	x Population & Inflation Factors since 1980	<u>87.4</u>
(3)	= FY 23-24 Estimated State-Imposed Expenditure Limit	\$72,000,000
(4)	Proposed Expenditure Limit	\$795,000,000
(5)	Increase to Expenditure Limit	\$723,000,000
(6)	÷ Population & Inflation Factors since 1980	<u>87.4</u>
(7)	= Proposed Adjustment the 1980 Base	\$8,300,000
(8)	New Adjusted 1980 Base Limit (1) + (7)	\$9,118,000

SAMPLE BALLOT LANGUAGE – PBA



TEXT OF BALLOT PROPOSITION

OFFICIAL TITLE:

A resolution proposing a permanent adjustment to the state-imposed expenditure base for the Town of Queen Creek.

DESCRIPTIVE TITLE:

Pursuant to the Arizona Constitution, the Town of Queen Creek seeks voter approval to permanently adjust the base limit of the Town as determined by the Economic Estimates Commission. The Town seeks an adjustment of \$ 8,300,000

Shall the expenditure base of the Town of Queen Creek be permanently adjusted by \$ 8,300,000 ?

A "Yes" vote shall have the effect of allowing the Town of Queen Creek to permanently adjust its 1979-80 base limit. It is not a tax increase or decrease.

A "No" vote shall have the effect of not allowing the Town of Queen Creek to permanently adjust its 1979-80 base limit. It is not a tax increase or decrease.

PUBLICITY PAMPHLET – PBA

PERMANENT BASE ADJUSTMENT SUMMARY ANALYSIS

Pursuant to the Arizona State Constitution, the Town of Queen Creek seeks voter approval to permanently adjust the expenditure base of the Town as determined by the Economic Estimates Commission. If approved by voters, the Town's 1979-80 base expenditure limitation will be increased by **\$8,300,000** adjusted each future year for population and inflation growth since 1979-80.

With voter approval, in fiscal year 2023-24 the Town's state-imposed expenditure limitation will increase by **\$723,000,000**, from **\$72,000,000** to **\$795,000,000**. The Town will utilize the additional expenditure authority for any local budgetary purposes including general government, public safety, streets, parks and recreation, economic development, capital projects, water, sewer, stormwater, and sanitation systems. The dollar figures in this statement are estimates only.

If approved, the additional authorized expenditures will be funded from revenues obtained from federal, state, and local sources.

(Followed by Arguments For and Against the Proposition)



Process

Steps to Voter Approval

- **Call of Election**
 - Resolution Adopted by Town Council with ballot language
 - No public hearings required
- **Auditor General Review**
 - Check calculations
 - Review Summary and Detailed Analysis
 - Required to give comments back to the Town within 15 days



Steps to Voter Approval (concluded)

- **Publicity Pamphlet**

- Summary Analysis of PBA
- Sample Ballot
- Arguments For and Against
 - Must be received 90 days prior to election
- Final Approval by Auditor General
 - Can't be changed afterward
- Mailed when Early Ballots are ready

- **Early Ballots**

- Early Ballots ready 33 days before election
- Mailed 27 days before election





Calendar

Key Dates for PBA Election

Date	Description	Party
December 1, 2021	Final Decision on Permanent Base Adjustment vs. Home Rule	Town Council
Feb 1, 2022	Estimated State-Imposed Expenditure Limitation provided by Arizona Department of Revenue (ADOR)	ADOR
March 16, 2022	Council Meeting – Call of Election including Resolution on Proposed Permanent Base Adjustment	Finance & Clerk
April 1, 2022	Final Expenditure Limitation provided by ADOR	ADOR
April 5, 2022	Submit all required documentation to the State Auditor General	Finance Department
Apr 20, 2022	Receive back from the State Auditor General all reviewed financial information	Finance Department
May 4, 2022	Receive “Arguments For and Against” to be included in the publicity pamphlet	Town Clerk



Key Dates for PBA Election (concluded)



Date	Description	Party
May 12, 2022	Send draft publicity pamphlet to the State Auditor General for review	Town Clerk
June 1, 2022	Send publicity pamphlets to the printer	Town Clerk
June 30, 2022	Make early ballots available AND send out publicity pamphlets	Town Clerk
July 6, 2022 *	Mail out early ballots	Town Clerk
August 2, 2022	Primary Election	Town Clerk
August 22, 2022 *	Canvass Vote – notify Auditor General and EEC of election outcome	Town Clerk

* Pending Town Clerk verification

Remaining Tasks

- **Validate Expenditure Estimates**
 - Continue to refine assumptions and estimates
 - Compare to other cities
 - Operational Metrics
 - Per Capita & Other Metrics
- **Confirm Calculations with Auditor General**
 - Population and Inflation Factors
- **Confirm Calendar with Town Clerk**
- **Town Council Decision by December 1st**





Discussion and Questions