

Proposed Ballot Measure for Adjusting Expenditure Limitation

City Council Meeting
April 2, 2024



Expenditure Limitation Is Based on A State Formula



In 1979/80, the State Constitution was amended to impose an Expenditure Limitation on local governments using a simple formula, and to prescribe a process for local governments to adjust the Expenditure Limitation formula with voter approval



City Annual Operating Budget* Cannot Exceed State Expenditure Limitation; Accordingly we are now following the State prescribed process to adjust our Expenditure Limitation formula

* Expenditures subject to Limitation does not include capital infrastructure costs, debt service, special revenue and grant funded expenditures and other specific exclusions allowed by state law.

**December 5,
2023**

**Council Work Study
on Year End
Financial Results**

City at 94% of
Expenditure
Limitation for FY22/23

Council Directs Policy
for Regular Review of
Expenditure
Limitation

**January 23,
2024**

Council Adopts Policy

Requires City Treasurer
to:

(1) Report on
Expenditure Limitation
Every 5 years

(2) Provide
Recommendation and
Action when Budget is
Reaching or Exceeding
90% of Limitation

March 5, 2024

**Council Work
Study Following
New Policy**

Discussion of State
Formula and Process
and possible ballot
language

**Council Directs
City Treasurer to
follow State
Prescribed
Process to Adjust
Expenditure
Limitation Formula**

April 2, 2024

**Recommendation
for Ballot Based on
State Process for
Adjusting
Expenditure
Limitation Formula**

As Directed by
Council

State Formula For Limitation

	1979/80 Expenditure Base	Population and Inflation Factors	Expenditure Limitation
FY24/25 Preliminary	\$55,861,444	X 10.99081	= \$613,963,000
FY25/26 Estimate	\$77,861,444	X 11.35944	= \$884,463,000

\$22,000,000

**Base Adjustment
Calculated Using State
Prescribed Process**

Ballot Measure

Request Voter Approval for a \$22,000,000
Permanent Base Adjustment

Ballot Measure Facts

Is Not a Tax Increase

Does Not Authorize City to Increase Taxes

Does Not Allow City to Exceed Budget

Council Must Approve a Balanced Budget

Why Do We Need to Adjust Our Expenditure Limitation ?

18 Years Since Last Adjustment in 2006

Scottsdale Has One of the Lowest Limitations Among Cities in Valley

* Expenditure Limitation based on State Budget Forms for these cities on voter approved Home Rule.



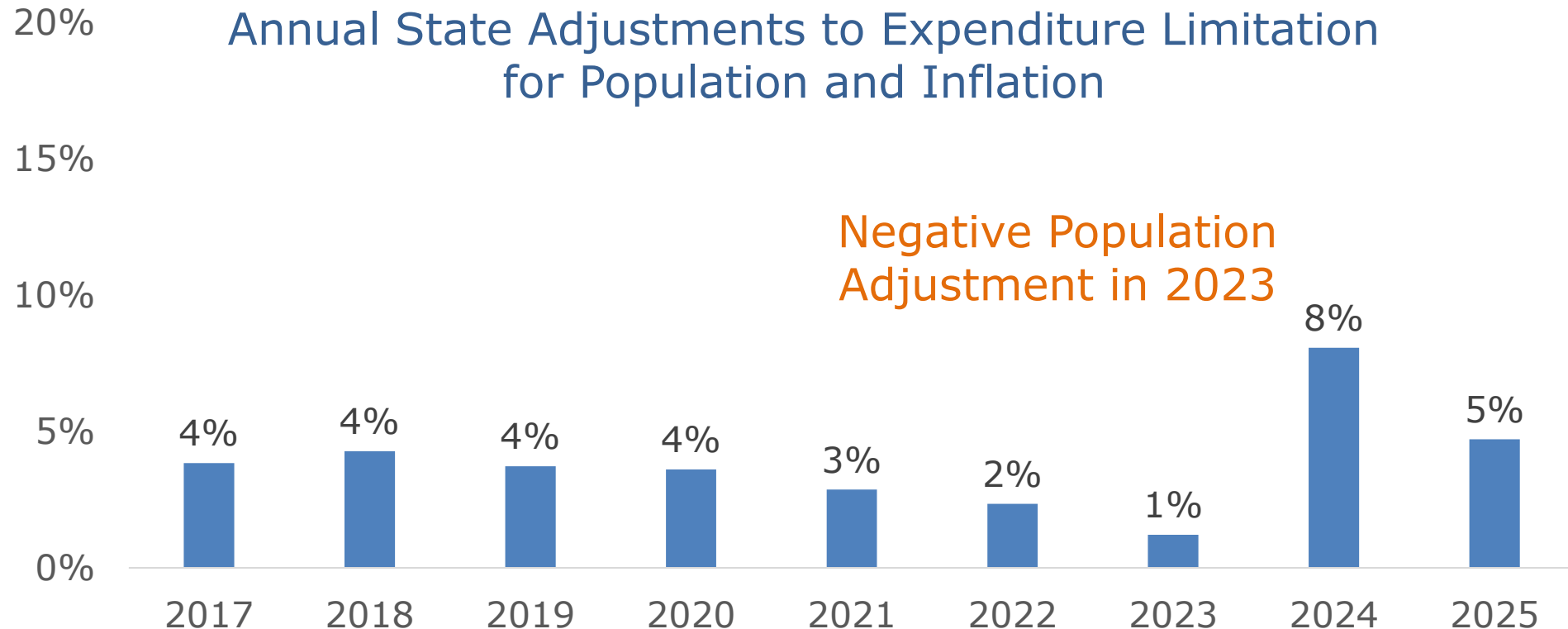
City	FY23/24 Expenditure Limitation	Limitation Per Capita
Phoenix*	\$11,623,359,000	\$7,015
Mesa*	\$2,560,000,000	\$4,957
Chandler *	\$1,656,274,385	\$5,855
Surprise	\$1,478,748,668	\$9,517
Peoria	\$1,232,516,693	\$6,180
Glendale	\$730,770,870	\$2,877
Maricopa	\$644,026,349	\$9,948
Queen Creek	\$631,421,266	\$8,899
Tempe	\$624,338,073	\$3,332
Goodyear	\$622,516,993	\$5,868
Buckeye	\$595,412,188	\$5,600
Scottsdale	\$586,300,525	\$2,393
Avondale	\$567,836,304	\$6,150
Gilbert	\$544,824,047	\$1,963

State Formula Does Not Automatically Adjust for New Programs and Services

	1979/80 Expenditure Base	Population and Inflation Factors	Expenditure Limitation (rounded to nearest thousands)
FY24/25 Preliminary	\$55,861,444	X 10.99081	= \$613,963,000

No adjustment factor for new programs and services, and other cost increases above population and inflation

Population and Inflation Adjustments Not Keeping Up with Actual Cost Increases

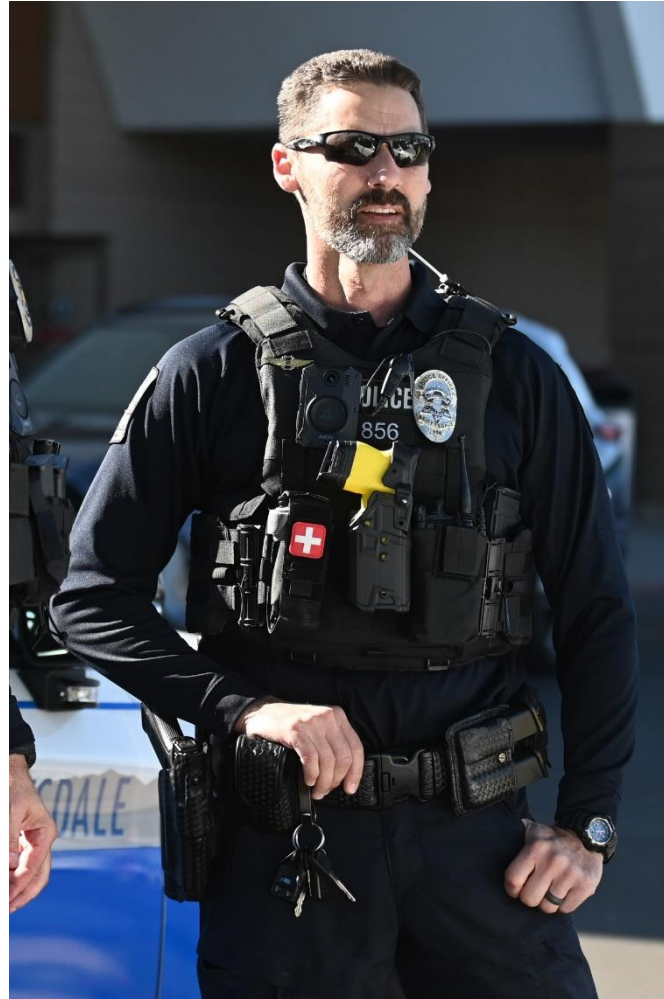


Police Officer Costs Increases

FY2007/08

Salary (mid range)	
+Benefits	\$98,724
Vehicle and Upfit	\$38,590
Uniform and Gear	\$ 1,351
Ballistic Vest	\$ 861
Radio	\$ 4,827
Cell phone (with monthly service)	\$ -
On Body Camera	\$ -
Taser and Weapon	\$ 1,632

\$145,985



FY2023/24

Salary (mid range)	
+Benefits	\$ 168,628
Vehicle and Upfit	\$ 68,147
Uniform and Gear	\$ 3,780
Ballistic Vest	\$ 2,218
Radio	\$ 7,376
Cell phone (with monthly service)	\$ 1,400
On Body Camera	\$ 2,082
Taser and Weapon	\$ 3,149

\$256,780

76% Increase

Source: Treasurer and Police Department records

Fire Cost for Single Unit Response (1 Ladder Truck with 4 Firefighters)

FY2007/08

Ladder Truck	\$ 747,557
<u>Cost for 4 Firefighters:</u>	
Salaries & Benefits	\$ 302,937
Uniform and Gear	\$ 8,600
SCBA	\$ 19,508
Radio	\$ 17,780
Cell phone	-

\$1,096,382

Source: Treasurer and Fire Department records



FY2023/24

Ladder Truck	\$ 1,350,305
<u>Cost for 4 Firefighters:</u>	
Salaries & Benefits	\$ 430,066
Uniform and Gear	\$ 46,485
SCBA	\$ 40,000
Radio	\$ 27,168
Cell phone per truck	1,400

\$1,895,424

73% Increase

Water Costs

FY2007/08

CAP Water
Purchase and
Treatment

\$6,993,458



2011 CAP Water Treatment
Plant Expansion

FY2023/24

CAP Water
Purchase and
Treatment

\$28,639,685

310% Increase

New Operating Costs

- **Tourism Expenditures**
2010 Voters increased hotel/motel tax from 3% to 5%
- **2015 Bond program**
Operating costs of 2 new Fire Stations completed in 2021
- **2019 Bond program**
New Fire Stations, Fire & Police training facility, multi-use sports fields, new parks to be completed over next 1-3 yrs
- **New ambulance services and other expanded services**

Consequences If Adjustment to Expenditure Limitation Is Not Made

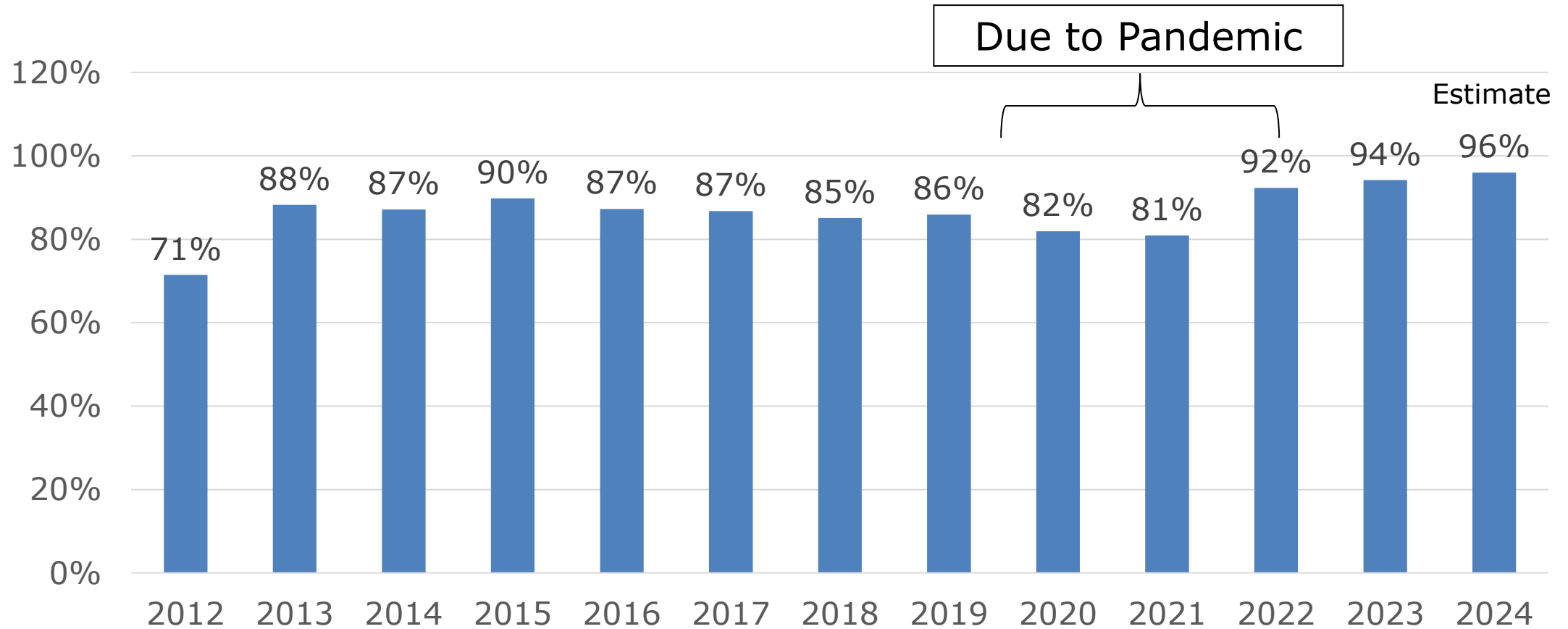
City currently at 94% of Expenditure Limitation

- Council will need to prioritize operating budgets regardless of revenues collected and citizen needs or interests
- Unexpected expenditures that cannot be avoided will require reduction in other operating expenditures
- Will impact city-wide operations including water, solid waste, airport, police and fire and other General Fund operations

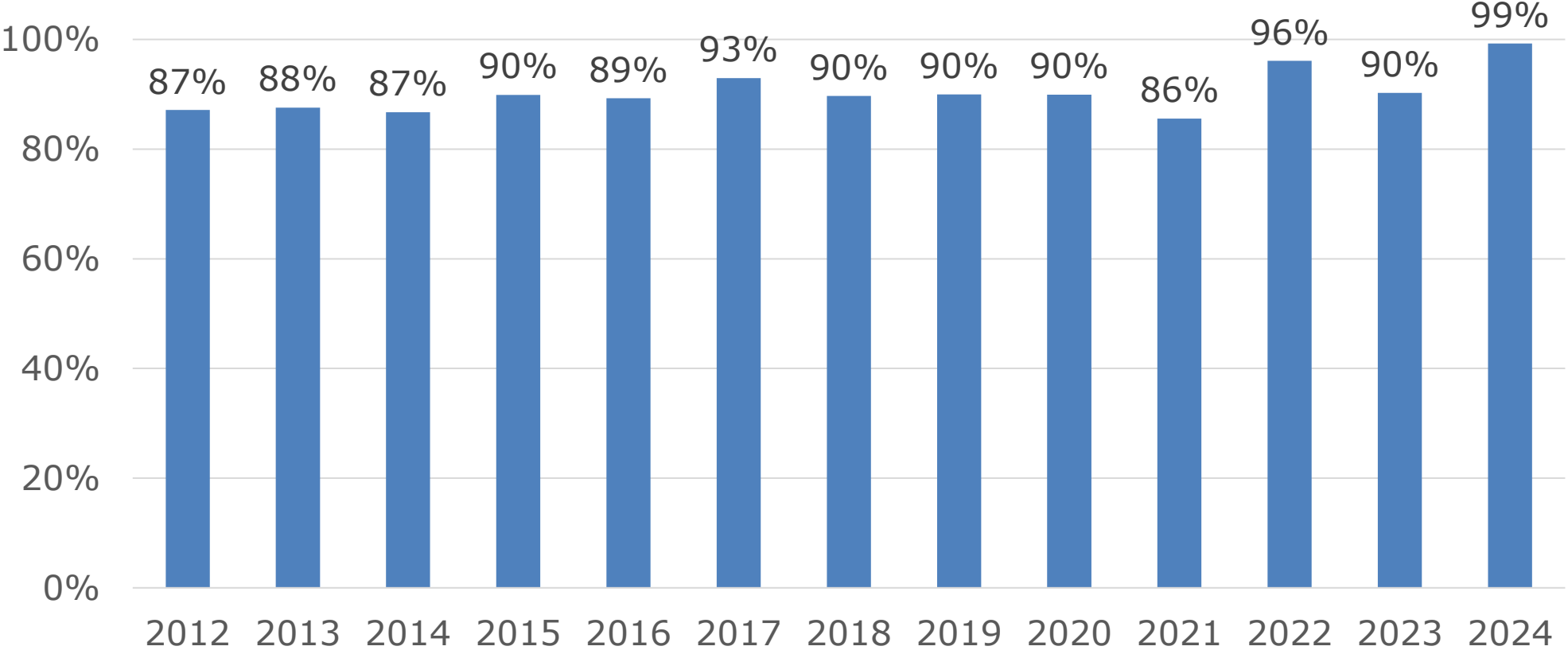
Pandemic Impacted Expenditures and Expenditure Limitation Capacity

*Explanations provided in
correspondence to Council dated
1/19/2024*

Percent of Expenditure Limitation Used (Actual Per Annual Audited AELR Report)



Percent of Expenditure Limitation Used (Adopted Budget per Annual State Budget Forms)



Pandemic Reduced Expenditures in FY20 and FY21

- 2020-2021 Lockdown, facilities closed, did not hire seasonal workers
- Delay in spending due to Supply Chain Issues
- Delay of market/merit adjustments for employees
- \$60M in one-time Federal Stimulus (not counted under Limitation)
- Other one-time grants (not counted under Limitation)
- Increase in Vacancy Savings due to labor shortages

Adjustment to Expenditure Base Will Provide for New Services and Increased Costs Without Raising City Taxes

- Increased public safety services
- Increased water costs
- Increased tourism expenditures
- New operating costs of Bond projects

**Request Council
Approve Resolution to
Refer Ballot Measure
to Voters**

Ballot Measure

Is Not a Tax Increase

Does Not Authorize City to Increase Taxes

Does Not Allow City to Exceed Budget

Council Must Approve a Balanced Budget

Adjust State Formula Expenditure Base by \$22 Million

Allows Scottsdale to Maintain Existing and Planned Services and Programs

Ballot Language

Proposed Ballot Language

OFFICIAL TITLE: A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA PROPOSING A PERMANENT ADJUSTMENT TO THE STATE-IMPOSED BASE EXPENDITURE LIMITATION FOR THE CITY OF SCOTTSDALE.

DESCRIPTIVE TITLE: Pursuant to the Arizona State Constitution, the City of Scottsdale seeks voter approval to permanently adjust the expenditure base of the City of Scottsdale as determined by the Economic Estimates Commission. The City of Scottsdale seeks an adjustment of \$22 million.

Proposed Ballot Language

Yes / No Statements

A **“YES”** vote shall have the effect of allowing the City of Scottsdale to adjust its base expenditure limit to maintain existing and planned City services and programs. It is not a tax increase.

A **“NO”** vote shall have the effect of not allowing the City of Scottsdale to adjust its base expenditure limit and will impact the City’s ability to maintain existing and planned City services and programs.

Proposed Ballot Language

Tagline Text

SHALL THE EXPENDITURE BASE OF THE CITY OF SCOTTSDALE BE PERMANENTLY ADJUSTED BY \$22 MILLION IN ORDER TO MAINTAIN EXISTING AND PLANNED CITY SERVICES AND PROGRAMS?

City Council Action Requested:

Adopt Resolution No. 13093

and

**If there is more than one ballot measure,
direct the order the measures will be
placed on the ballot**