Staff Report

Agenda Item: **PUBLIC HEARING REGARDING THE HOME RULE OPTION** – A hearing to receive public input regarding the Town of Clarkdale's proposed placement of the Home Rule Option (Alternative Expenditure Option) on the March 9, 2010 ballot.

Staff Contact: Kathy Bainbridge, Town Clerk/Finance Director

Meeting Date: October 13, 2009

Background: In 1980, Arizona voters approved a tax reform package that, among other things, placed an expenditure limitation on cities and towns. However, this legislation allowed local voters in cities and towns to approve an exception to the state imposed expenditure limitation.

Under a state imposed expenditure limitation, a city or town may only expend a certain amount of funds, regardless of the city or town's revenue or individual needs. The city or town's budget is limited by the state-imposed ceiling.

Under the Alternative Expenditure Limitation (Home Rule Option) the city or town may determine its own expenditures based on a city or town budget. With voter approval, the Town shall be limited to the expenditure of estimated available revenues, whether such expenditures are less or more than, the state imposed limit.

For cities and towns to use the Home Rule Option, the voters must approve the Option on a ballot. The Home Rule Option, to continue, must be passed by the voters every four years. The Town of Clarkdale voters have approved the Home Rule Option every four years since 1980, therefore the Town currently operates under the Home Rule Option.

The Alternative Expenditure Limitation question is scheduled for the March 2010 election, since it has been four years since the limitation was approved by the voters. To place this on the ballot, the Town Council must hold two public hearings, this being the first and the second being on October 27th. Immediately following the second hearing, the Town Council must vote to pass a Resolution placing the question on the ballot.

If voters approve, the additional expenditure authority will continue to be used for all local budgetary purposes, including emergency services, municipal utilities, parks/historic preservation, cemetery, streets, grants/other funds and other government services. Revenues received from federal, state and local sources will be used to fund

such expenditures (the town property tax is limited to the amount prescribed in the Arizona State Constitution.)

The chart below depicts what the town budget was for fiscal years 2006-2007 through 2009-2010 and what the state imposed limitation would have been if the Town was required to follow its requirements:

Fiscal Year	Amount of revenue that was estimated to be available	Limit of what could be used to fund town operations under State Imposed Expenditure Limitation
2006-2007	28,330,592	4,933,654
2007-2008	28,417,448	5,055,316
2008-2009	13,210,607	5,168,978
2009-2010	34,154,912	5,288,509

The chart below depicts town budget estimates for fiscal years 2010-2011 through 2013-2014 and what the estimated state imposed limitation would be if the Town was required to follow its requirements:

Fiscal Year	Amount of revenue that is estimated to be available	Limit of what could be used to fund town operations under State Imposed Expenditure Limitation
2010-2011	12,242,250	5,465,467
2011-2012	12,854,363	5,619,039
2012-2013	13,497,081	5,783,166
2013-2014	14,171,935	5,949,098

Recommendations: This is a public hearing only, no action is required.