




Expenditure Limitation Base Adjustment

March 10, 2020



The central graphic is a dark blue rectangle containing the title and date in white serif font. At the bottom left is the official seal of the City of Flagstaff, Arizona, established in 1882, featuring a landscape with a mountain and a river. At the bottom right is the 'TEAM FLAGSTAFF' logo, which includes a stylized sunburst graphic and the slogan 'WE MAKE THE CITY BETTER'.





What is a Base Expenditure Limitation?



- Established by legislation in 1980
- Places a limitation on how much cities are allowed to spend each year
- An increase in the expenditure limitation does not increase the City revenues but provides the City with the authorization to spend the revenues that are being collected as promised
- Flagstaff permanently adjusted the State imposed expenditure limitation in 1988 and 2006
- If a city exceeds their allowed expenditure limitation without authorization, State income taxes are withheld



Why Now?



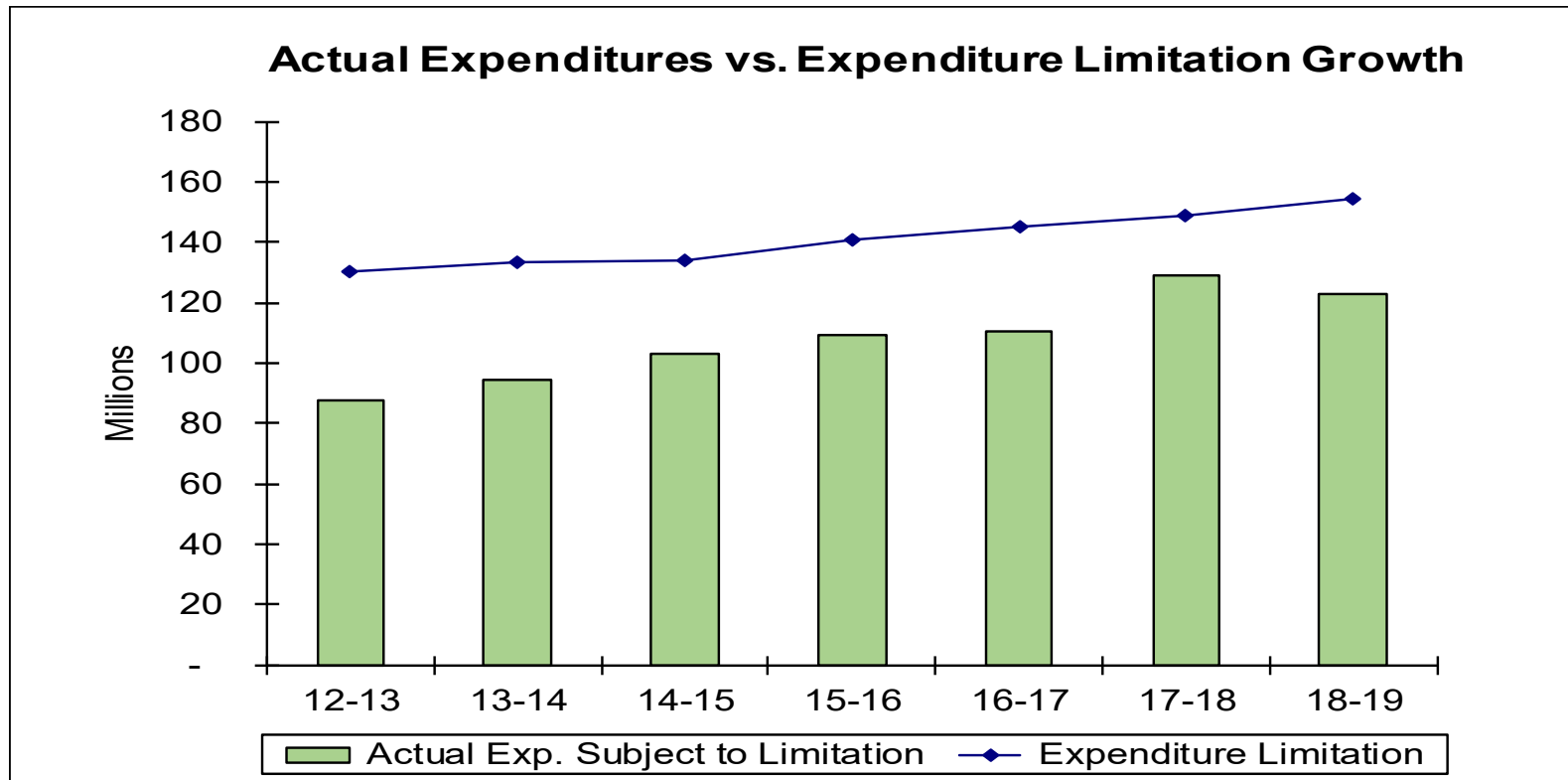
- FY 2019-20 Expenditure Limitation is \$162,133,141 vs. Budget Subject to Expenditure Limitation \$231M.
- FY 2017-18 actuals were \$19.7M below the limitation
 - The gap between actual expenditures and expenditure limitation continues to decrease
 - FY2018-19 actuals were \$31.5M below. Usually lower due to the timing of capital projects.
 - Anticipate FY 2019-2020 to continue to close the gap with the start and/or completion for many pay as you go capital projects.



Actuals vs Expenditure Limitation

FY 2012-2013 Gap: \$42.8M

FY 2018-2019 Gap: \$19.7M





What has changed since 2006?

- New revenues have been added or significant increases in expenses:
 - Road Repair and Street Safety Taxes - \$7M
 - Parking District - \$1.5M
 - Stormwater Rate Increases - \$3.6M (since FY 2005-2006)
 - Water Service Rate Increases - \$14.1M (since FY 2005-2006)
 - FHA - \$1.9M
 - Butler/Route 66 Bridge Taxes - \$4.8M
 - Pension Cost Increase - \$13M (since FY 2005-2006)
- Totaling \$45.9M



City Budget Growth



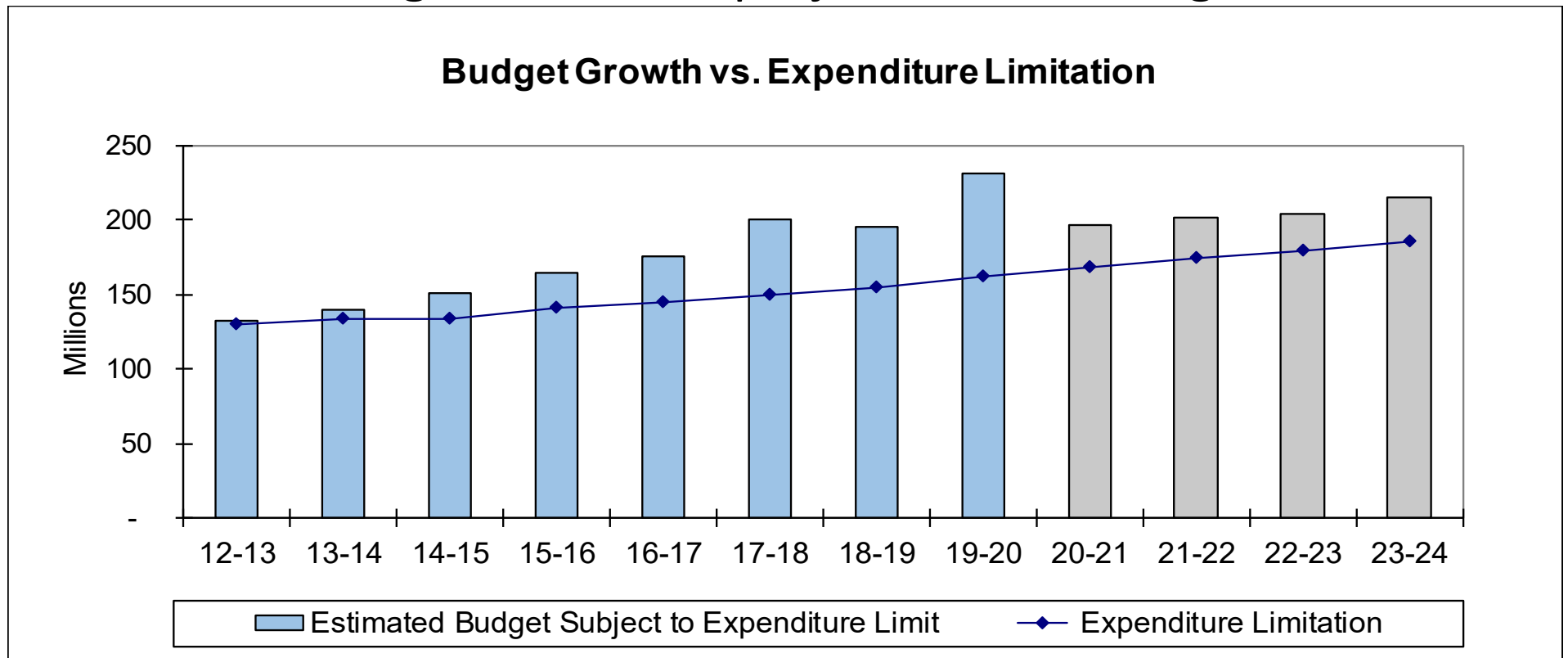
- Expenditure limitation growth is not keeping with City Budget growth
 - Since FY2012-13, the City's total budget has increased \$90.7M or 37%
 - Operating budgets subject to expenditure limitation have increased \$41.5M or 46%
 - Pay as you go capital budgets have increased \$56.3M or 135%
- Expenditure limitation over this same time frame increased \$31.8M or 24%.



Budget vs Expenditure Limitation

FY2019-20 budget \$69M over limitation

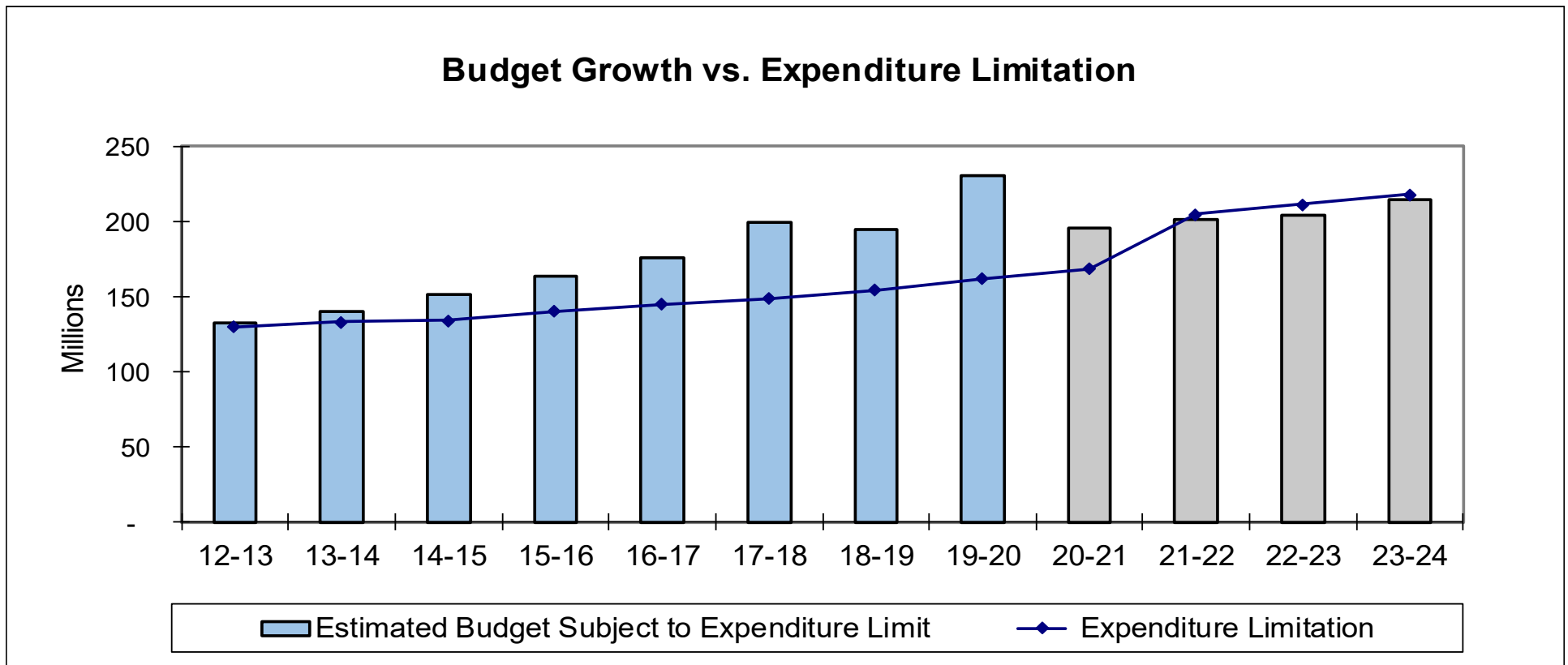
FY2020-21 through FY2023-24 projections – average \$27M over





Recommendation

- \$4.0M increase in base adjustment = \$30M increase for FY2021-22





Why August Instead of November?



- Education and outreach is extensive
- The question will not be competing with other City questions
- Other possible November ballot questions:
 - Affordable Housing
 - Parks, Recreation, Open Space
 - Save Shultz Meadows Initiative
 - City 1% General Sales Tax Renewal
 - Other City Questions
 - Other Community Questions
 - CCC
 - FUSD
 - County



2020 August Election Timeline



March: Council adopts resolution to approve permanent base adjustment

April:

- August Election called
- Must submit analysis to Auditor General for approval

May/June:

- Complete & mail publicity pamphlet
- Outreach begins

Election Date: August 4, 2020



Council Options



1. Move forward with an expenditure limitation adjustment ballot question for August 2020 election
2. Plan and prepare for an expenditure limitation adjustment ballot question for November 2020 election
3. Do not move forward with an expenditure limitation adjustment at this time