

# TOWN OF PARADISE VALLEY

## Expenditure Limitation Rule



# Expenditure Limitation Rule

## Purpose

- What is it?
- Why is it a problem?
- Current Direction
- **Determining the Number**
- Determining the Strategy



# Expenditure Limitation Rule

- What is it?
  - Constitutional Amendment
  - Froze Expenditures at FY 1979/80 Levels
  - Adjusted for Inflation
  - Adjusted for Population



# Expenditure Limitation Rule

- Why is it a problem?
  - Bundle of Services different in 2016 than 1979
    - Sewer, Fire, Alarm Monitoring, Photo Enforcement, Burying Power Lines, CVB, etc.
  - Level of Service different in 2016
    - Law enforcement; paved streets; sidewalks; building inspections; police, public works and court buildings; resorts & corresponding services have grown



# Expenditure Limitation Rule

- Why is it a problem?
  - Population Adjustments
    - Construction growth  $\neq$  Population growth
      - Resorts
      - Second Homes
      - Lots redeveloped with bigger houses and greater demands
    - Housing increased 2.6% between 2000-2010;
    - Pop decreased 6.2% between 2000-2010
  - Inflation Adjustment
    - Does not address Pension Inflation



# Expenditure Limitation Rule

- Current Direction
  - Can ask voters for an override/adjustment
    - Home Rule
    - Permanent Base Adjustment
    - Capital Projects Accumulation
    - One Time Override



# Expenditure Limitation Rule

- Current Direction
  - Permanent Base Adjustment
  - November 2016



# Expenditure Limitation Rule

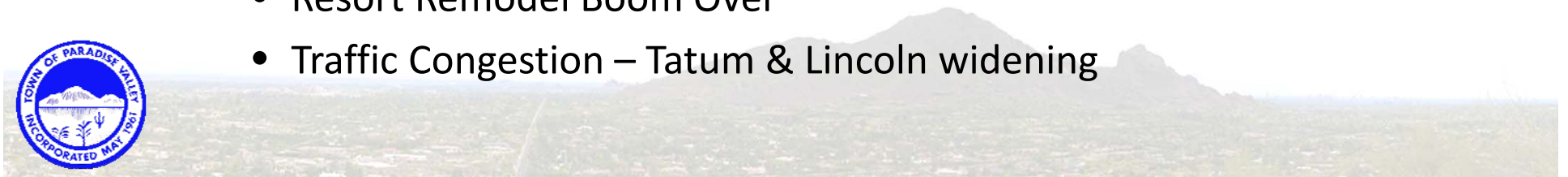
- Determine the Number - Considerations
  - Remember it's a limit. Annual expenditures set by Council at that time within this limit.
  - Not a tax. Not asking for new revenue.
  - How its calculated
    - Adjustment to the base
    - Base set in 1979
    - So question is in 1979 \$'s





# Expenditure Limitation Rule

- Determine the Number - Considerations
  - What's the Time Horizon
    - 5 years
    - 10 years
    - 20 years
  - What's the conditions
    - Build-out/Annexations
    - Resort Remodel Boom Over
    - Traffic Congestion – Tatum & Lincoln widening



# Expenditure Limitation Rule

- What's the Number
  - What's the Service Bundle or Level
    - Maintain CIP
    - Storm Water Infrastructure
    - Law Enforcement
    - Maintaining Slower Traffic
    - Sustainability



# Expenditure Limitation Rule

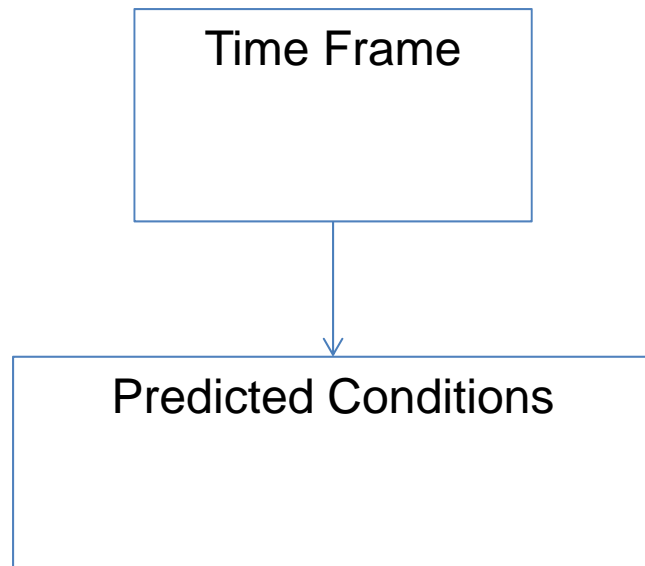
- What's the Number?
  - Today the ELR is ~\$25M
  - Town's Revenues equal about \$30M

Time  
Frame

Predicted  
Conditions



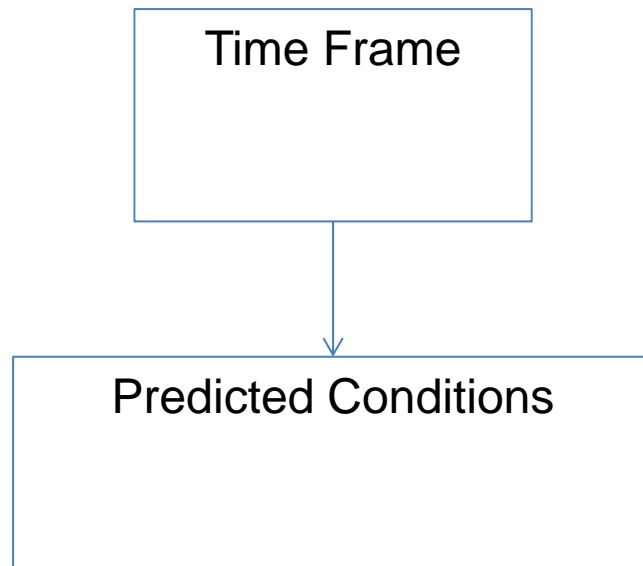
# Expenditure Limitation Rule



- NOW – FY17
- Conditions/Revenue
  - \$30M Current Revenue
  - MTS Construction TPT (\$1.25M)
  - MTS 4mo. Bed Tax & TPT (\$300k)
  - ANdAZ 12mo Bed Tax & TPT (\$900k)
  - Ritz Construction TPT (\$1.8M)
  - Sewer Fee Change (\$250-500k)



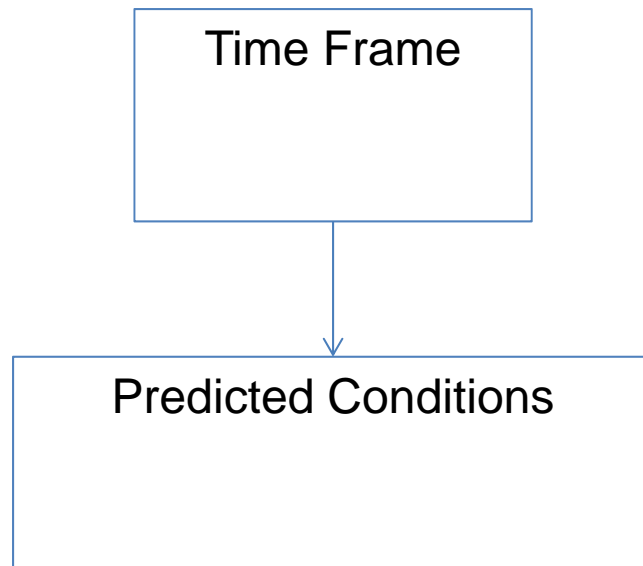
# Expenditure Limitation Rule



- NOW – FY17
- Conditions/Expenditures
  - PSPRS (\$23M)
  - CIP (\$5-7M) + FY16 Debt
  - Storm Water (\$1 M Plan/? Const)
  - Law Enforcement (\$500k)
  - Sewer Assessment & K (\$250k+)



# Expenditure Limitation Rule



- NOW – FY17
- \$25M Current
- \$35M Minimum Appropriate
- \$10M Permanent Base  
Adjustment in 1979 \$ = 3.47M



# Expenditure Limitation Rule

- What's the Number
  - Do you have a preference for Time Horizon?
  - What are the conditions you want us to forecast for in that Time Horizon?
  - Do you have any suggestions on tools to use for predicting?



# Discussion





# Expenditure Limitation Rule

- Factoids
  - Inflation Rate \$100 in 1980 is \$287.64 in 2015
  - Average CPI is 3.37% over same period.
  - Town boundaries grew 12% in same period
  - Lane Miles grew XX%. But many converted from dirt to paved.

