



# Alternative Expenditure Limitation Adjustment Options

September 25, 2025

# EXPENDITURE LIMITATION LAW



- What is it?
- What are the options?
- What is PV's history and what have other cities done?
- When can an election be held?



# COUNCIL DIRECTION

1. Does the Council wish to proceed with an expenditure limitation election?
2. Which expenditure limitation adjustment option?
3. Which election date (primary or general 2026)?

Depending on the answers to these questions, study session(s) will be scheduled for additional discussion and direction.

# Expenditure Limit - What is It?

**What:** Constitutional Amendment Approved by Arizona Voters in 1980

**Purpose:** To Control Expenditures of Local Revenues and Limit Future Spending to Inflation, Population Changes, and Voter Approved Adjustments

## **Not Considered in Determining the Limit:**

- Revenues or reserves
- New and expanded public services
- Seasonal population changes



# Expenditure Limit - What is It?

## **Exclusions:**

- Debt Service, Capital Leases, and Grants
- “Excess” HURF revenues
- Investment income

**Who:** Economic Estimates Commission (EEC)  
determines Limitation Annually

## ➤ 1979-80 Base Year

## How: Calculation

$$\frac{\text{Population (Current)}}{\text{Population (1978)}} = \text{Population Factor} \times \text{Base Limitation (1979-80)}$$

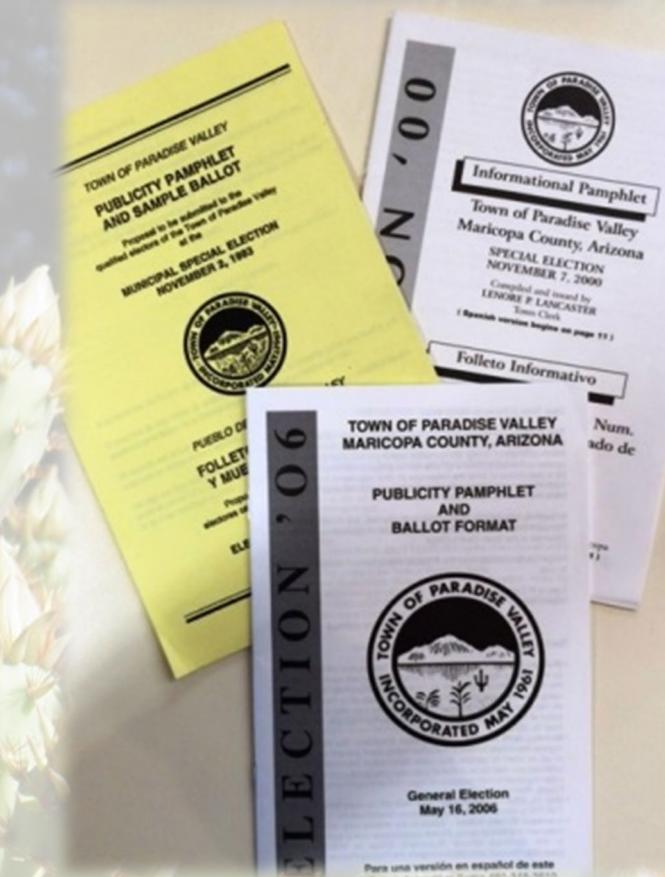
$$= \frac{\text{Expenditure Limitation}}{\text{Price Deflator} \times \% \text{ Change in GDP}}$$



# Options and History

Four Ways to Adjust Limit (All Require Voter Approval)

1. Home Rule
2. One-Time Override (One Year Only)
3. Capital Projects Accumulation Fund
4. Permanent Base Adjustment



# Options Home Rule

- Sets a locally controlled budget amount free from any ties to the state-imposed limit
- Home Rule must be reauthorized by the voters every four years
- 43 cities and towns have passed home rule
- Requires publishing 2 notices and holding 2 public hearings
- Requires 2/3rds vote of the Town Council to refer to the ballot
- Vote must be held at a regular primary or general election

# Options

## Home Rule Continued



Pro: No expenditure limit  
& easy to explain to voters



Con: Requires voter  
approval every 4 years

- If Home Rule is defeated in subsequent elections the Town reverts to the State imposed expenditure limit or prior adjustment
- Cannot hold another Home Rule election for 2 years
- Home Rule defeated in Florence, Tucson, Sedona, & Apache Junction



# Options One-Time Override

- Used for emergencies. Consequence of losing Home Rule election
- Law allows for one-time emergency override of the state expenditure limitation
- Requires 2/3rds vote of the Council
- Election held in May of previous fiscal year
- Requires publishing 2 notices and holding 2 public hearings



# Options Capital Projects Accumulation Fund

Town may exclude revenues accumulated to pay for certain capital projects. Voters must approve both the projects and the accumulation of revenue.

*Shall the TOWN exempt from its base expenditure limitation by excluding from the definition of "local revenues" any amounts accumulated after June 30, 1994, and in the future, for the purpose of improving roads, adding sewer systems, undergrounding utilities, and flood control projects. After June 30, 2004, no additional funds shall be accumulated in the Capital Projects Accumulation Fund.*

1993 CPAF Election	Amount / Purpose
Approved by 68% Expired in 2004	\$35 Million for flood control, utility undergrounding, roads & sewer service



# Options Capital Project Accumulation Fund Continued



Pro: Can pay cash for CIP /  
Alternative to issuing debt



Con: Limits flexibility – funds  
are restricted to certain  
projects

Does not address increases in  
General Fund expenses

- Not as common (Gilbert voters approved by 56% in 2024)
- General Fund Budget Considerations:
  - Changes in federal laws/executive orders and state laws impacting how government services are funded
  - Operating cost increases
    - Personnel, PSPRS pension, healthcare
    - Contracts – fire, ambulance, CVB, photo enforcement

# Options Permanent Base Adjustment

*Arizona Constitution  
Article IX, Section 20, Subsection 6*

- A city or town may adjust the base expenditure limit by the affirmative vote of two-thirds of the Council and approved by a majority of the voters
- The adjustment is effective at the beginning of the fiscal year immediately following the approval



# Options

## Permanent Base Adjustment

Pro: Permanent – fiscal stability/predictability  
No subsequent elections (unlike Home Rule)  
New Cap that continues to restrain expenditures (fiscally conservative)



Con: Difficult to explain to the voters  
Less flexible than Home Rule



- One-time election that permanently increases limit
- Adjustments are expressed in 1979-80 dollars
- No limit on how much the base can be raised
- Vote must be held at a regular primary or general election
- 41 cities and towns have Permanent Base Adjustments

# History Permanent Base Adjustment Elections

	2000	2006	2016
Increase (1979-80 dollars)	\$2,850,000 120.8%	\$1,431,543 26.8%	\$3,540,285 53.2%
Increase Equivalent Dollars	\$7,955,000	\$4,900,300	\$14,000,000
Stated Purpose	Sewer system and street improvements including landscaping, recreation paths, medians, landscaping, and traffic calming	Fire Service, improved street maintenance, improved maintenance of public properties, and in-house plan review	Police, fire, wastewater, alarm services, convention and visitor promotions, buried power lines
Election Date	General (Special) November	General May	General November
Election Result	Turnout = 86% Yes = 80%	Turnout = 38% Yes = 76%	Turnout = 84% Yes = 65%

# Sample Timeline for November 2026 Election

Date	Action
March-April 2026	Long-Term Capital Projects Planning and Budget
March-April 2026	Expenditure Limit Projections and Education Strategy
April 1, 2026	Receive Expenditure Limit for Coming Fiscal Year
May 14, 2026	Adopt Resolution Proposing New Limit and Call of Election
May 18, 2026	Submit Resolution and Detailed Analysis to the Auditor General for Review
June 8, 2026	Auditor General Review Complete – Final Analysis
June 15, 2026	Advertise for Publicity Pamphlet Pro/Con Arguments
July 6, 2026	Ballot Language Text Due
August 5, 2026	Pro/Con Arguments Due
August 31, 2026	Send Draft Publicity Pamphlet to Auditor General
October 5, 2026	Mail Publicity Pamphlets
October 7, 2026	Early Voting Begins
November 3, 2026	Election Day
November 20, 2026	Canvass of Election
November 23, 2026	Submit Canvass to Auditor General and Economic Estimates Commission



# KEY QUESTIONS / DIRECTION



1. Does the Council wish to proceed with an expenditure limitation election?
2. Which of the four options of expenditure limitation elections?
3. Which election date (primary or general 2026)?

Depending on the answers to these questions, study session(s) will be scheduled for additional discussion and direction.