

Home Rule (Alternative Expenditure Limitation) Option

It is time again for the City of Cottonwood to consider the election of the continued use of the Alternative Expenditure Limit or Home Rule Option past fiscal year 2008-09. This election comes around every four years, with the last being 2005.

The City can adopt its own Alternative Expenditure Limitation that is free from any ties to the state-imposed limitation, if a majority of the qualified electorate votes in favor of the alternative limitation at a City's general election. That day being May 19, 2009.

The process began with the City holding Public Hearings on December 16, 2008 & January 6, 2009. The City published notices of these public hearings in the Verde Independent in order to comply with state statutes. Immediately following the second hearing, the City Council convened in a special meeting and voted to move forward with the placement of the proposed alternative expenditure limitation on the May ballot. A record of the vote and, the amount of expenditures in excess of the state-imposed expenditure limitation and purposes for the excess expenditures was published in the Verde Independent. All the financial analysis and associated calculations were reviewed by the State Auditor General's Office for thoroughness and accuracy.

Throughout this process the City is prohibited by law to expend any funds to influence the outcome of this election (A.R.S § 9-500.14). If the alternative limitation is defeated by a majority of the qualified electors voting at the election, the City will be subject to the state-imposed expenditure limitation. No new alternative expenditure limitation may be submitted to the voters for at least two consecutive fiscal years.

A "Yes" vote means that you allow the City of Cottonwood to renew the alternative expenditure limitation, or Home Rule Option.

A "No" vote means that you want the City of Cottonwood to operate under the state-imposed expenditure limitation.

Questions and Answers:

Question: What is the difference between Home Rule and the state imposed spending limitation?

Answer: Home Rule provides a community the flexibility to develop a balanced budget as prescribed by the State, taking into account the needs of the community and the available resources. The state imposed spending limitation uses a formula to calculate the needs of the community. It does not take into account the growth patterns and needs of the community. Since 1979-80 the City of Cottonwood has built a library, added a municipal fire department, acquired several water companies, and constructed a wastewater treatment facility; all of which are not taken into account by the formula.

Question: Will Home Rule increase or decrease my taxes?

Answer: No. Home Rule does not impact taxes. It simply allows the community through its elected officials to determine the level of necessary expenditures for the next four years instead of allowing a formula developed nearly thirty years ago to dictate our spending levels.

Question: What happens if Home Rule is not approved by the voters?

Answer: If Home Rule is not approved, the Cottonwood City Council loses the ability to set the City's budget limits based on need and available revenues. It would have to operate under the state expenditure limitation formulas developed in 1979-80, despite having the available revenues for municipal services.

Following is the Summary Analysis between the State Imposed Plan and the home Rule option:

**ALTERNATIVE EXPENDITURE LIMITATION
(Home Rule Option)
SUMMARY ANALYSIS**

The voters of the City of Cottonwood in 2005 adopted an Alternative Expenditure Limitation (Home Rule Option). The purpose of this election is for the continued use of the Home Rule Option.

Pursuant to the Arizona State Constitution, the City of Cottonwood seeks voter approval to adopt a Home Rule Option to apply to the City for the next four years beginning in 2009-10. Under a Home Rule Option if approved by the voters, the City estimates it will be allowed to expend approximately \$38,810,818 in 2009-2010, \$34,725,955 in 2010-2011, \$35,705,515 in 2011-2012, and \$35,858,178 in 2012-2013.

With approval of the Home Rule Option, the City will utilize the expenditure authority for all local budgetary purposes including general government, public safety, cultural and recreational activities, street maintenance, public works projects, the local transit system, municipal airport, Community Development grant funded activities, debt service funds, employee benefit and volunteer fire retirement funds, and the operations and maintenance of the City's sanitary sewer system and water system.

Under the state-imposed limitation, after considering the constitutionally allowed exclusions, the City estimates it will be allowed to expend approximately \$27,678,681 in 2009-2010, \$28,422,301 in 2010-2011, \$29,014,909 in 2011-2012, and \$29,704,960 in 2012-2013 for the operation of your local government. These expenditure estimates include expenditures of constitutionally excludable revenues.

The amount of revenue estimated to be available to fund the operation of your City government is \$38,810,818 in 2009-2010, \$34,725,955 in 2010-2011, \$35,705,515 in 2011-2012, and \$35,858,178 in 2012-2013. These revenue estimates are the same under the Home Rule Option or the state-imposed expenditure limitation.

Any and all dollar figures presented in this summary are estimates only and are based upon information available at the time of preparation of this analysis. The budget and actual expenditures in any of the four years may be more or less than the expenditures noted above depending on available revenue.

If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the city.

Fiscal Year	Estimated Expenditures Under Home Rule	State Plan Limit	Home Rule vs. State Plan Over/(Under)
2009-2010	38,810,818	27,678,681	11,132,137
2010-2011	34,725,955	28,422,301	6,303,654
2011-2012	35,705,515	29,014,909	6,690,606
2012-2013	35,858,178	29,704,960	6,153,218