



Alternative Expenditure Limitation Explanation of Permanent Base Option Ballot Proposition August 30, 2016 Primary Election

What is a permanent base adjustment?

- ◆ A permanent base adjustment is an adjustment of the city's expenditure base by \$4.5 million as an alternative to the state-imposed expenditure limitation, which was created in 1980.
- ◆ The permanent base option provides **local control** and **fiscal conservatism** by the City Council. The Council sets the expenditure limit when it annually adopts a state-mandated **balanced budget**.
- ◆ The Council has imposed 2 permanent restrictions on this ballot proposition: (1) Any city tax increase requires a 75% majority vote of the sitting Council members and (2) the city must maintain a reserve fund balance of a minimum \$1 million.

Why is this proposition on the ballot?

- ◆ The state-imposed expenditure limit is based on 1980 expenditures and 1978 population figures (adjusted for inflation and growth) and places limits on expenditures but **does not impact revenues**.
- ◆ Since 1980, Show Low has grown significantly, from 3,800 residents in 1978 to a current population of about 11,200. We are now a full-service community, with a family aquatic center, citywide water utility system, upgraded wastewater (sewer) treatment facility, state-of-the-art public library, public transit, expanded city parks system and cemetery, city website offering online services, Show Low TV, commuter air service at our regional airport and a range of recreational programs and events for children, teens, adults and seniors.
- ◆ With the growth comes increased demand for police, utilities, streets, parks and other essential services. A Permanent Base Adjustment recognizes the realities of our community's changing needs and authorizes spending funds using local control within state statutes.

Will the proposed permanent base adjustment increase your taxes?

- ◆ No. Approving the Permanent Base Adjustment only allows the city to spend the funds it currently has and expects to receive in the coming fiscal year. It does not authorize or cause the city to impose new or additional taxes, or to spend revenues it does not have or expects to receive.

What are the consequences of a YES vote?

- ◆ Approving the proposed Permanent Base Adjustment will enable the city to continue providing services to citizens at existing levels, unless there is a significant decrease in revenues collected. It would continue local control by the Council to establish a balanced budget. It would also require that any tax increase requires a 75% majority vote of the Council and require the city to maintain at least \$1 million in reserve funds.

What are the consequences of a NO vote?

- ◆ If voters do not approve the proposed Permanent Base Adjustment, the city's total expenditure limitation in FY2017-18 (June 30, 2017 to July 1, 2018) would be reduced from approximately \$55.5 million to approximately \$13.5 million. This would represent a reduction of over 75 percent in the city's total budget capacity. Such a reduction would result in significant cutbacks in city services, programs and capital projects, unless voters reapprove a temporary adjustment (Home Rule option) in the future.

For more information or to request an informational presentation to your group, contact Administrative Services Director Justin Johnson at (928) 532-4024 or jjohnson@showlowaz.gov