

## Expenditure Limitation; Permanent Base Adjustment

### **1. What is Permanent Base Adjustment - Proposition 434 and why is it on the ballot?**

Clarkdale voters are being asked to consider a Permanent Base Adjustment option on the August 30, 2016 ballot. This option would adjust the base dollar amount used under the state formula to calculate the Town's expenditure limitation.

In 1979/80, the Arizona State Constitution imposed expenditure limitations on all cities and towns in Arizona based on their 1978 actual expenditures and population (with an allowance for inflation). For Clarkdale, this resulted in an expenditure base of \$255,616. At that time, the expenditure limitation allowed Clarkdale the financial flexibility to adequately serve the community's needs.

Like most cities and towns in the Verde Valley, Clarkdale has seen significant growth since 1978. When the state-imposed formula was originally developed, Clarkdale had a population of less than 1,200. Today, Clarkdale has 4,168 residents and is continuing to grow. The Town now provides many services it did not provide in 1979, such as a full time police department, water production, treatment & distribution, an expanded wastewater collection and treatment system, municipal court system, a public transportation system, new streets, sidewalks and trails, and many additional parks. As Clarkdale has grown, so too have revenues and operating costs. The Town's budget needs to grow in step with the community in order to maintain service levels and make improvements where desired.

As Arizona cities and towns began experiencing growth, it became clear that this state formula would leave Arizona's cities and towns with millions of dollars in revenue that they could not legally spend to provide service to their communities. Revenues were growing, budget demands were growing, but the state formula, set according to the economic climate of the late seventies, no longer reflected the revenue and expenditure needs of a rapidly growing Arizona. The State recognized that the law needed to provide options to accommodate these growing financial needs, and so the ability for voters to adopt one of four options was written into law.

That is why, through the Permanent Base Adjustment - Proposition 434, Clarkdale's voters are being asked to decide whether the Town can continue to budget according to current and predicted revenues and service demands. It simply allows the Town to spend the revenue it already collects on needed services and infrastructure projects.

### **2. Will the Permanent Base Adjustment - Proposition 434 increase my taxes?**

When considering Permanent Base Adjustment - Proposition 434, a commonly asked question is "will my taxes increase?" The answer to that question is NO! A Permanent Base Adjustment will not affect taxes. If Proposition 434 passes, the only outcome is that it provides the Town of Clarkdale the ability to budget for and spend the revenues it already collects. The Permanent Base Adjustment option does not empower the

Clarkdale Town Council to create new and additional taxes, nor does it enable the Town to spend beyond the revenues it receives.

**3. Why is a \$3 million dollar increase to the expenditure base being asked for – isn't Clarkdale's annual average budget about \$20 million?**

Permanent Base Adjustment - Proposition 434 would permanently adjust Clarkdale's base budget amount under the 1979/1980 state formula from \$255,616 to \$3,255,616. This number is not the actual expenditure limitation, it is simply the starting point for calculating the Town's expenditure limitation using the state formula. \$3,255,616 as the base amount using the state formula, should allow the Town to meet annual budget needs considering changes in population, revenues, and inflation predicted to take place over the next decade.

**4. If Clarkdale has adopted the Home Rule option in the past, why is the Permanent Base Adjustment being brought before voters now?**

Approximately 87% of all Arizona cities and towns, including Clarkdale, operate under either a temporary or permanent alternative expenditure limitation. Every four years since 1980, Clarkdale voters have approved the temporary "Home Rule" Alternative Expenditure Limitation option. When compared to the "Home Rule" Alternative Expenditure Limitation, the Permanent Base Adjustment would save on administration and election costs every four years along with allowing the Town Council to address future budget needs with an expenditure base that is in line with current revenue, population and inflation trends. It allows the Town to spend the revenue it collects for programs it operates in a manner that adequately serves the needs of the community based on current financial conditions.

**5. A "No" vote on Permanent Base Adjustment - Proposition 434 means....**

A "No" vote will set the Town's expenditure base at the 1979/80 level. The Town currently budgets under the "Home Rule" option, as last approved by Clarkdale's voters in 2014. If the Permanent Base Adjustment - Proposition 434 is rejected, Home Rule would remain in effect until 2018, when another expenditure alternative would have to be taken to the voters or Clarkdale's expenditure limitations would need to fall under 1979/1980 base expenditure limitation. This would represent a reduction of approximately 92% of the Town's total budget capacity and would result in significant cutbacks in Town services, programs and capital projects.

**6. A "Yes" vote on Permanent Base Adjustment - Proposition 434 means.....**

A "Yes" vote on Permanent Base Adjustment - Proposition 434 will permanently adjust the Town's base expenditure amount (under the 1979/80 state formula) and allow the Clarkdale Town Council to set Town budgets based upon current financial conditions and service needs. It will not raise taxes. It simply allows the Town to spend the revenue it collects on needed services and infrastructure projects such as General Government Services, Library, Community Development, Municipal Court, Public Safety, Parks &

Recreation, Public Works, Capital Projects, Street Maintenance, Sanitation, Wastewater collection & treatment and Water production, treatment & distribution.