



AGENDA

**PRESCOTT CITY COUNCIL
SPECIAL MEETING
TUESDAY, APRIL 23, 2013
IMMEDIATELY FOLLOWING 3:00 P.M. VOTING
MEETING**

**Council Chambers
201 South Cortez Street
Prescott, Arizona 86303
(928) 777-1100**

The following Agenda will be considered by the Prescott City Council at its **Special Voting Meeting** pursuant to the Prescott City Charter, Article II, Section 13. Notice of this meeting is given pursuant to Arizona Revised Statutes, Section 38-431.02. One or more members of the Council may be attending this meeting through the use of a technological device.

◆ **CALL TO ORDER**

◆ **ROLL CALL:**

MAYOR AND CITY COUNCIL

Mayor Kuykendall
Councilman Arnold
Councilman Blair
Councilman Carlow

Councilman Kuknyo
Councilman Lamerson
Councilman Scamardo

II. REGULAR AGENDA

- A. Adoption of Resolution No 4167-1328 calling the Alternative Expenditure Limit – Home Rule Election at the August 27, 2013, City primary election.

RECOMMENDED ACTION: MOVE to adopt Resolution No. 4167-1328.

III. ADJOURNMENT

EXECUTIVE SESSION

Upon a public majority vote of a quorum of the City Council, the Council may hold an executive session, which will not be open to the public, regarding any item listed on the agenda but only for the following purposes:

- (i) Discussion or consideration of personnel matters (A.R.S. §38-431.03(A)(1));
- (ii) Discussion or consideration of records exempt by law (A.R.S. §38-431.03(A)(2));
- (iii) Discussion or consultation for legal advice with the city's attorneys (A.R.S. §38-431.03(A)(3));
- (iv) Discussion or consultation with the city's attorneys regarding the city's position regarding contracts that are the subject of negotiations, in pending or

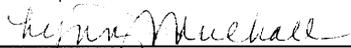
- contemplated litigation, or in settlement discussions conducted in order to avoid litigation (A.R.S. §38-431.03(A)(4));
- (v) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations with employee organizations (A.R.S. §38-431.03(A)(5));
 - (vi) Discussion, consultation or consideration for negotiations by the city or its designated representatives with members of a tribal council, or its designated representatives, of an Indian reservation located within or adjacent to the city (A.R.S. §38-431.03(A)(6));
 - (vii) Discussion or consultation with designated representatives of the city to consider its position and instruct its representatives regarding negotiations for the purchase, sale or lease of real property (A.R.S. §38-431.03(A)(7)).

Confidentiality

Arizona statute precludes any person receiving executive session information from disclosing that information except as allowed by law. A.R.S. §38-431.03(F). Each violation of this statute is subject to a civil penalty not to exceed \$500, plus court costs and attorneys' fees. This penalty is assessed against the person who violates this statute or who knowingly aids, agrees to aid or attempts to aid another person in violating this article. The city is precluded from expending any public monies to employ or retain legal counsel to provide legal services or representation to the public body or any of its officers in any legal action commenced for violation of the statute unless City Council takes a legal action at a properly noticed open meeting to approve of such expenditures prior to incurring any such obligation or indebtedness. A.R.S. §38-431.07(A)(B).

CERTIFICATION OF POSTING OF NOTICE

The undersigned hereby certifies that a copy of the foregoing notice was duly posted at Prescott City Hall on 4/18/18 at 5:00 p.m. in accordance with the statement filed by the Prescott City Council with the City Clerk.



Lynn Mulhall, MMC, City Clerk

COUNCIL AGENDA MEMO – Meetings of April 9 and April 23, 2013

DEPARTMENT: Finance

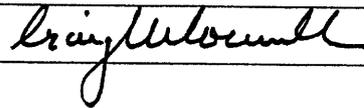
AGENDA ITEM: Public hearings and adoption of Resolution No 4167-1328 calling the Alternative Expenditure Limit – Home Rule Election at the August 27, 2013, City primary election

Approved By:

Date:

Finance Director: Mark Woodfill

City Manager: Craig McConnell



4-15-13

Summary

The attached Summary Analysis Worksheet and Publicity Pamphlet (Draft) provide information on the Alternative Expenditure Limit (Home Rule Option) for public hearings on April 9 and 23, 2013. Following the April 23rd public hearing at a special meeting the Council will consider Resolution No. 4167-1328 to present the Alternative Expenditure Limit question on the City's August 27, 2013, primary election.

The Home Rule Option enables the citizens of Prescott, rather than the State, to set expenditure levels of the City through public hearings and Council action each year for the next four years. Our voters have agreed that Home Rule is the best option for Prescott and have approved the Alternative Expenditure Limit at election in 1989, 1993, 1997, 2001, 2005, and 2009.

Background

A statewide initiative created a cap on the amount cities can expend establishing the Fiscal Year 1979-80 budget as the base year, with adjustments in subsequent years for inflation and population growth. The limit imposed by the initiative is financial, and does not take into account the actual services residents in Arizona municipalities have requested or the availability of funds to deliver them. The Home Rule Option provides an alternative to being locked-in to a mandated dollar figure which, even though the City is operating responsibly within its financial means, would nevertheless dictate significant reductions in City services and infrastructure maintenance.

The Home Rule Option, if authorized by voters, enables the citizens and the City Council to participate in setting the expenditure limit of the City each year during the budget process, through a public hearing and action by the Council. This will allow the service levels and infrastructure maintenance levels to be set locally and not by the State of Arizona. Voters must approve the Home Rule Option every four years; it is recommended that the question be presented to voters at the City's primary election scheduled for August 27, 2013.

AGENDA ITEM: Public hearings and adoption of Resolution No 4167-1328 calling the Alternative Expenditure Limit – Home Rule Election at the August 27, 2013, City primary election

Budget Implications

Home Rule Option (Continuation of the Alternative Expenditure Limit in Place Since 1989)

If the Home Rule Option is approved by the voters, the budget would be established in the same manner it has since the Alternative Expenditure Limitation was first adopted in 1989.

- The City will be able to set its budget priorities and provide programming based on reasonable revenue projections, rather than an arbitrary State formula with no relation to available funding.
- Budget priorities and related expenditures will be established through the local budget process, which includes public notice, public hearings, and workshops.

State-Mandated Levels

If the Home Rule Option is not approved by the voters and the City is forced to comply with the State imposed limit (projected to be 23% lower than our estimated revenues and expenditures for current services and programs), dramatic budgetary reductions would be imposed.

- Infrastructure maintenance and replacement projects would be stopped, putting the long-term reliability of systems and public safety at risk. The State expenditure limit does not consider available revenues or fund balance; therefore, infrastructure projects including water, wastewater and public safety would be significantly reduced, even though funds are available.
- Costs of required projects would be increased as a result of the need to finance them through the issuance of debt service, even though monies are currently available. The State limit excludes the issuance of debt from the limit and therefore would require the City to issue long-term debt for projects instead of “pay as you go funding” which avoids interest costs.
- The State limit is adjusted for inflation and population growth but does not take into account significant cost increases associated with providing safe drinking water, wastewater operations, and construction cost indexes. Due to changes in regulations and the changing environment of utility operations over the last 23 years since the limit was established, the City has seen significant increases in costs associated with implementing drinking water treatment, increased complexity of treating the wastewater flow, increased aquifer recharging operations, and dramatic increases in construction cost.
- The State limit does not provide flexibility for local needs, programming, services and revenue availability. These restrictions will result in expenditure reductions with unprecedented service impacts for the duration of the period under which the State limit is required. This means quality of life services will be significantly and adversely affected (e.g., parks and recreation including maintenance, library services), and even public safety impacted to stay within the State-imposed limit.

AGENDA ITEM: Public hearings and adoption of Resolution No 4167-1328 calling the Alternative Expenditure Limit – Home Rule Election at the August 27, 2013, City primary election

- The ability to fund new priorities will be impacted despite having funds on hand to pay for projects and programming.

The City adopts a balanced budget every year. None of the above reductions would result from funds not being available, but be driven by complying with a State-imposed limit from 23 years ago that does not adequately adjust for changing municipal needs and operations.

Attachments

- Summary Analysis Worksheet
- Publicity Pamphlet (Draft)
- Resolution No. 1467-1328

Recommended Action:

Regular Voting Meeting of April 9, 2013

MOVE to close the public hearing.

Regular Voting Meeting of April 23, 2013

MOVE to close the public hearing.

Special Council Meeting of April 23, 2013

MOVE to adopt Resolution No. 4167-1328.

CITY OF PRESCOTT

VOTER INFORMATION PAMPHLET

and

BALLOT FORMAT

Proposal to be submitted to the qualified electors
of the City of Prescott
at the

PRIMARY ELECTION

AUGUST 27, 2013

(Spanish version begins on page XX)



Compiled and Issued by

City of Prescott

Lynn Mulhall, City Clerk

LIST OF POLLING PLACES

ALL POLLING PLACES WILL BE OPEN FROM 6:00 A.M. to 7:00 P.M. ON AUGUST 27, 2013

Proposition 426

RESOLUTION #4167-1328

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, PROPOSING AN EXTENSION OF THE ALTERNATIVE EXPENDITURE LIMITATION.

RECITALS:

WHEREAS, the Arizona State Constitution permits the submission to the voters of a city or town of an Alternative Expenditure Limitation; and,

WHEREAS, the voters of the City of Prescott in 1989, 1993, 1997, 2001, 2005 and 2009 adopted an Alternative Expenditure Limitation; and,

WHEREAS, the City Council of Prescott after two public hearings has determined that an extension of the Alternative Expenditure Limitation is necessary for the City of Prescott.

ENACTMENTS:

NOW, THEREFORE, BE IT RESOLVED by the Council for the City of Prescott the following Alternative Expenditure Limitation be submitted to the voters of the City of Prescott at the Primary Election being held on Tuesday, August 27, 2013:

SHALL THE FOLLOWING BE ADOPTED BY THE CITY OF PRESCOTT AS AN ALTERNATIVE EXPENDITURE LIMITATION:

“The Mayor and Council of the City of Prescott shall annually, as part of the annual budget adoption process, adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget as adopted by the Council to apply to the City of Prescott for each of the four fiscal years immediately following adoption of the Alternative Expenditure Limitation. The Alternative Expenditure Limitation shall be adopted each year after a public hearing at which the citizens of the City of Prescott may comment on the proposed Alternative Expenditure Limitation. No expenditures may be made in violation of such Alternative Expenditure Limitation, nor may any proposed expenditures be in excess of estimated available revenues, except that the Mayor and Council may, by three-fourths vote, declare an emergency and suspend the Alternative Expenditure Limitation. The suspension of the Alternative Expenditure Limitation shall be in effect for only one fiscal year at a time.”

PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this _____ day of _____, 2013.

MARLIN D. KUYKENDALL, Mayor

ATTEST:

APPROVED AS TO FORM:

LYNN MULHALL
City Clerk

JON M. PALADINI
City Attorney

**City of Prescott
 Alternate Expenditure Limitation
 Home Rule Option
 Detailed Analysis**

Pursuant to the Arizona State Constitution, the City of Prescott as authorized by Resolution No. 4167-1328 passed on April 23, 2013 will seek voter approval to adopt an alternative expenditure limitation (Home Rule Option) to apply to the city for the next four years beginning in FY 2014-2015.

Under a Home Rule Option if approved by the voters, the city estimates it will be allowed to expend approximately \$110,687,250 in FY 2014-2015, \$126,588,512 in FY 2015-2016, \$108,187,295 in FY 2016-2017 and \$113,982,672 in FY 2017-2018.

With approval of the Home Rule Option, the city will utilize the expenditure authority for all local budgetary purposes, including general government, field and facilities, budget and finance, parks and recreation, library, community development, police, fire, economic enterprises, general fund debt service, streets and open space, impact fees, transient occupancy tax, grants, trust funds, water, wastewater, solid waste/transfer station, golf course, and airport. We estimate that the expenditures for the next four years under the Home Rule Option will be as follows:

CITY OF PRESCOTT ESTIMATED AMOUNTS TO BE EXPENDED IN SPECIFIC AREAS				
Purpose	FY 2014-15	FY 2015-16	FY2016-17	FY 2017-18
General Government	1,703,067	1,750,753	1,799,774	1,850,168
Field and Facilities	146,239	150,334	154,543	158,870
Budget & Finance	593,858	610,486	627,580	645,152
Parks & Recreation	3,230,006	3,320,446	3,413,418	3,508,994
Library	2,376,446	2,442,987	2,511,391	2,581,710
Community Development	1,382,514	1,421,224	1,461,018	1,501,927
Police	13,152,513	13,520,783	13,899,365	14,288,547
Fire	7,632,733	7,846,450	8,066,151	8,292,003
Economic Enterprises	1,469,025	1,510,158	1,552,442	1,595,910
Debt Service Fund	550,348	195,124	192,986	26,615
Streets & Open Space	16,260,643	16,185,275	13,536,041	15,696,143
Impact Fees	369,874	380,230	390,876	401,821
Transient Occupancy Tax	646,651	664,757	683,370	702,504
Grants	4,822,128	4,918,571	5,016,942	5,117,281
Trust Funds	63,407	65,182	67,007	68,883
Water Fund	18,070,488	25,041,344	24,974,835	14,747,053
Wastewater Fund	21,987,918	11,623,424	12,266,818	11,266,850
Solid Waste/Transfer Station	9,452,030	9,716,687	9,988,754	10,268,439
Golf Course	3,002,735	3,086,812	3,173,243	3,262,094
Airport	3,774,627	22,137,485	4,410,741	18,001,708
Total Expenditures	110,687,250	126,588,512	108,187,295	113,982,672

If approved, the expenditures authorized will be funded from revenues obtained from federal, state and local sources. It is estimated that the amount of revenue from each source for the next four years will be as follows:

Source	2014-2015	2015-2016	2016-2017	2017-2018
Federal	6,424,115	23,628,747	6,971,572	19,805,572
State	16,350,998	17,645,160	16,712,855	17,608,417
Local	87,912,137	85,314,605	84,502,868	76,568,683
Total Revenues	110,687,250	126,588,512	108,187,295	113,982,672

The city property tax shall be limited to the amount prescribed in the Arizona State Constitution.

In determining the revenue sources to fund the authorized additional expenditures under the alternative expenditure limitation, local historical growth rates were used. Additionally, it was assumed that the federal, state and local revenues received by the city will continue to be available in FY 2014-2015 as they have for the last three years. Their continued availability is also assumed for the next three consecutive years following FY 2014-2015.

Any and all dollar figures shown in this analysis are estimated figures only and are based upon information available at the time of preparation of this report. The budgets and actual expenditures in any given year may be more or less than the figures noted above depending on available revenues. The actual expenditure limitation for each fiscal year shall be adopted as an integral part of the budget for each fiscal year.

**City of Prescott
Alternate Expenditure Limitation
Home Rule Option
Summary Analysis**

The voters of the City of Prescott in 1989 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 Prescott seeks voter approval to adopt Home Rule Option to apply to the City for the next four years beginning in FY 2014-2015. Under Home Rule Option if approved by the voters, the city estimates it will be allowed to expend approximately \$110,687,250 in FY 2014-2015, \$126,588,512 in FY 2015-2016, \$108,187,295 in FY 2016-2017 and 113,982,672 in FY 2017-2018.

With approval of Home Rule Option, the city will utilize the expenditure authority for all local budgetary purposes including general government, field and facilities, budget and finance, parks and recreation, library, community development, police, fire, economic enterprises, general fund debt service, streets and open space, impact fees, transient occupancy tax, grants, trust funds, water, wastewater, solid waste/transfer station, golf course, and airport.

Under the state-imposed limitation the city estimates that it will be allowed to expend approximately, \$92,648,368 in FY 2014-2015, \$104,231,462 in FY 2015-2016, \$87,897,376 in FY 2016-2017 and \$102,292,468 in FY 2017-2018 for the operation of your local government. These expenditure limits include expenditures of constitutionally excludable revenues.

The amount of revenue estimated to be available to fund the operation of your city government is \$110,687,250 in FY 2014-2015, \$126,588,512 in FY 2015-2016, \$108,187,295 in FY 2016-2017 and \$113,982,672 in FY 2017-2018. These revenue estimates are the same under the Home Rule Option or the state-imposed expenditure limitation. The city property tax shall be limited to the amount prescribed in the Arizona State Constitution.

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.

ALTERNATE EXPENDITURE LIMITATION - HOME RULE OPTION

WHAT IS THE STATE IMPOSED EXPENDITURE LIMIT?

The expenditure limit resulted from a statewide voter-approved initiative in 1980. This was Arizona's response to California's Proposition 13. The 1979-1980 budget became the base year budget; annual adjustments are made to reflect population growth and inflation impacts. The intent of the initiative was to limit the amount a governmental unit could spend.

WHAT ARE THE DISADVANTAGES TO THE EXPENDITURE LIMIT?

The expenditure limit formula ignores the revenue that a city can produce. As Prescott has grown, the revenue generated has surpassed the state imposed expenditure limit. The expenditure limit places a cap on the amount that can be spent, even though a growing city experiences an increased demand for services and must maintain existing infrastructure.

The city revenue stream includes a considerable amount of privilege (sales) tax from tourists and other non-residents. These significant contributions reduce tax burden on local residents and provide the additional revenue required for maintaining and enhancing city services.

DOES THE CITY HAVE REVENUES AVAILABLE THAT IT CAN'T SPEND?

For the fiscal years 2015 – 2018, our projections indicate that our revenue will exceed the State imposed expenditure limit by nearly \$20 million per year. The actual available resources for each year determine the actual amount of revenue the city can spend.

WHAT IS HOME RULE?

The 1980 legislation provides cities with the ability to seek voter approval for a home rule alternative to the state imposed expenditure limit. This home rule option allows the city to spend its available revenues to meet the expanding needs of its citizenry. This allows the city to leverage the services it provides by using the revenues generated from non-residents and governmental sources.

IS THE HOME RULE ELECTION PERMANENT?

No. Voters must grant home rule authority every four years. Voters approved the home rule election in 1989, 1993, 1997, 2001, 2005 and 2009. Prescott is one of the many cities in the State under the home rule alternative.

WILL MY TAXES GO UP AS A RESULT OF HOME RULE?

The city privilege (sales) tax cannot be increased without voter approval. Property taxes are limited by the amount prescribed in the Arizona State Constitution.

WHAT IF HOME RULE DOES NOT PASS?

The City Council will ultimately determine ways to reduce capital spending and existing service levels. It may also need to issue debt to meet capital needs.

Arguments Favoring Proposition #

Arguments Opposing Proposition #

DRAFT

BALLOT FORMAT

Home Rule Option

Proposition #426

Proposal submitted by City Council of Prescott

Official Title

A resolution proposing an extension of alternative expenditure limitation for the City of Prescott.

Descriptive Title

Pursuant to the Arizona State Constitution, this proposal establishes an alternative expenditure limitation for the City of Prescott for the next four years. Annually, the City Council will determine the amount of the alternative expenditure limitation for the fiscal year after at least one public hearing. This alternative expenditure limitation replaces the state-imposed expenditure limitation.

A "YES" vote shall have the effect of establishing an alternative expenditure limitation for the City of Prescott.

Proposition #426

Yes

A "NO" vote shall have the effect of not allowing the City of Prescott to establish an alternative expenditure limitation and to require expenditures of the City to be limited by the state-imposed expenditure limit.

Proposition #426

No

Proposition 426

RESOLUTION #4167-1328

A RESOLUTION OF THE MAYOR AND COUNCIL OF THE CITY OF PRESCOTT, YAVAPAI COUNTY, ARIZONA, PROPOSING AN EXTENSION OF THE ALTERNATIVE EXPENDITURE LIMITATION.

RECITALS:

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WHEREAS, the voters of the City of Prescott in 1989, 1993, 1997, 2001, 2005 and 2009 adopted an Alternative Expenditure Limitation; and,

WHEREAS, the City Council of Prescott after two public hearings has determined that an extension of the Alternative Expenditure Limitation is necessary for the City of Prescott.

ENACTMENTS:

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PASSED, APPROVED AND ADOPTED by the Mayor and Council of the City of Prescott this _____ day of _____, 2013.

MARLIN D. KUYKENDALL, Mayor

ATTEST:

APPROVED AS TO FORM:

LYNN MULHALL
City Clerk

JON M. PALADINI
City Attorney

**ALTERNATIVE EXPENDITURE LIMITATION
Home Rule Option
Summary Analysis Worksheet**

STATE IMPOSED EXPENDITURE LIMITATION

Fiscal Year	Base Limit	X	Population Factor	X	Inflation Factor	=	Projected Expenditure Limitation	+	Estimated Exclusions	=	Total Expenditures Under State-Imposed Limit
2014-2015	8,495,931	X	2.0831	X	2.9018	=	51,355,690	+	41,292,677	=	92,648,368
2015-2016	8,495,931	X	2.0987	X	2.9470	=	52,546,219	+	51,685,242	=	104,231,462
2016-2017	8,495,931	X	2.1299	X	2.9943	=	54,183,306	+	33,714,070	=	87,897,376
2017-2018	8,495,931	X	2.1662	X	3.0426	=	55,995,663	+	46,296,805	=	102,292,468

POPULATION FACTOR COMPUTATION

Fiscal Year	Prior Fiscal Year Population	Divided by	1978 Population	Population Factor
2014-2015	40,100	/	19,250	2.0831
2015-2016	40,400	/	19,250	2.0987
2016-2017	41,000	/	19,250	2.1299
2017-2018	41,700	/	19,250	2.1662

Notes:

Population projections from the Arizona Department of Administration, Office of Employment and Population Statistics
Inflation factors from the Arizona Department of Revenue, Economic Research & Analysis