

City Talk for July 13, 2022
City Manager's Office
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FAQs on Home Rule

On August 2, 2022, city voters will decide whether to extend the city of Sedona's use of an alternative expenditure limitation, or Home Rule. The city has used the Home Rule option for 26 years to authorize our elected City Council to pass and adopt a budget that addresses community needs.

City staff have been out in the community answering questions and educating the community on what Home Rule is and why the City Council voted to place the extension of Home Rule on the ballot. I would like to take this opportunity to address some of the questions being raised.

Why did the City Council vote to place Home Rule on the ballot? Home Rule allows a city or town to set its own spending limitation based on current and projected revenues and local service demands. Home Rule provides certainty and allows the city to work through the yearly extensive budget process to address community priorities.

What will happen to the city's budget if Home Rule does not pass? The city will adopt a budget based on a fiscal year 2024 state-imposed expenditure limitation, which is estimated to be \$14.3 million, plus any excludable expenditures such as debt service payments.

If Home Rule passes will my taxes increase? No, taxes and fees will remain the same. Taxes and fees will continue to be collected.

What happens to revenue collected in excess if Home Rule does not pass? Revenues in excess of any limit will sit in the bank and will not be spent.

Does the city spend more money than is available? No, the city's budget can not be larger than available resources, meaning it must be a balanced budget. Available resources = collected funds minus the amount the city keeps in required reserves. The long-range forecasts are updated multiple times throughout the year to ensure that budget decisions that impact the city's future resources remain in balance.

Why would the city not consider a one-time override every year over Home Rule? If voters do not approve Home Rule, the city could hold a special election on the third Tuesday in May for a one-time override. The voters would vote on the override amount (Yes or No), but a one-time override would not allow residents the ability to dictate line items in the city's budget.

The one-time override would allow the city to exceed its constitutional expenditure limitation by a specific amount the fiscal year after the election which begins July 1. If the budget override is approved the following May, the city budget would be limited to the budget override. The timing of the election and the start of the fiscal year would create uncertainty in revenue for staffing and for city projects already in process. We are not aware of a city who uses the one-time override option to set their budget for the year.

How many cities and towns have used Home Rule or a permanent base adjustment (PBA)? More than

90% of cities and towns are under an option other than the state-imposed expenditure limit. Forty-three cities and towns have adopted Home Rule, 39 have adopted a PBA and there are currently nine cities and towns under the state-imposed limit. A PBA authorizes a city or town to permanently adjust the expenditure limit amount. While Sedona studied this option, it was determined that this option did not address Sedona's unique needs at this time.

How can the community have more say in the city's budget process? We pride ourselves on a transparent budget process. The development of the budget is guided by the vision and goals in the Community Plan approved by the voters. We have input from work groups, conduct a yearly budget survey, present regular revenue updates and hold several days of budget hearings that include public participation. We also hold two public hearings prior to final adoption. Finally, there is a link on our website that will allow any citizen to review the city's financial transactions. Our City Council are your elected representatives and provide input based upon what they are hearing in the community.

City staff are available to answer any questions you may have on Home Rule. We also have a link to an educational presentation on June 22, 2022 that will provide details on Home Rule and background on the issue. Visit www.sedonaaz.gov/homerule for more information.