



## Agenda City Council Policy Session

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Tuesday, April 9, 2024

2:30 PM

phoenix.gov

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### **OPTIONS TO ACCESS THIS MEETING**

#### **Virtual Request to speak at a meeting:**

- **Register online** by visiting the City Council Meetings page on phoenix.gov **at least 2 hours prior to the start of this meeting**. Then, click on this link at the time of the meeting and join the Webex to speak: <https://phoenixcitycouncil.webex.com/phoenixcitycouncil/onstage/g.php?MTID=e066120c31121b74b0559d5c10c0a225c>

- **Register via telephone** at 602-262-6001 **at least 2 hours prior to the start of this meeting**, noting the item number. Then, use the Call-in phone number and Meeting ID listed below at the time of the meeting to call-in and speak.

#### **In-Person Requests to speak at a meeting:**

- Register in person at a kiosk located at the City Council Chambers, 200 W. Jefferson St., Phoenix, Arizona, 85003. Arrive **1 hour prior to the start of this meeting**. Depending on seating availability, residents will attend and speak from the Upper Chambers, Lower Chambers or City Hall location.

- Individuals should arrive early, 1 hour prior to the start of the meeting to submit an in-person request to speak before the item is called. After the item is called, requests to speak for that item will not be accepted.

#### **At the time of the meeting:**

- **Watch** the meeting live streamed on phoenix.gov or Phoenix Channel 11 on Cox Cable, or using the Webex link provided above.

- **Call-in** to listen to the meeting. Dial 602-666-0783 and Enter Meeting ID 2550 121 6151# (for English) or 2550 577 2216# (for Spanish). Press # again when prompted for attendee ID.

- **Watch** the meeting in-person from the Upper Chambers, Lower Chambers or City Hall depending on seating availability.

- Members of the public may attend this meeting in person. Physical access to the meeting location will be available starting 1 hour prior to the meeting.

**Para nuestros residentes de habla hispana:**

- **Para registrarse para hablar en español**, llame al 602-262-6001 **al menos 2 horas antes del inicio de esta reunión** e indique el número del tema. El día de la reunión, llame al 602-666-0783 e ingrese el número de identificación de la reunión 2550 577 2216#. El intérprete le indicará cuando sea su turno de hablar.

- **Para solamente escuchar la reunión en español**, llame a este mismo número el día de la reunión (602-666-0783; ingrese el número de identificación de la reunión 2550 577 2216#). Se proporciona interpretación simultánea para nuestros residentes durante todas las reuniones.

- **Para asistir a la reunión en persona**, vaya a las Cámaras del Concejo Municipal de Phoenix ubicadas en 200 W. Jefferson Street, Phoenix, AZ 85003. Llegue 1 hora antes del comienzo de la reunión. Si desea hablar, regístrese electrónicamente en uno de los quioscos, antes de que comience el tema. Una vez que se comience a discutir el tema, no se aceptarán nuevas solicitudes para hablar. Dependiendo de cuantos asientos haya disponibles, usted podría ser sentado en la parte superior de las cámaras, en el piso de abajo de las cámaras, o en el edificio municipal.

Miembros del público pueden asistir a esta reunión en persona. El acceso físico al lugar de la reunión estará disponible comenzando una hora antes de la reunión.

**CALL TO ORDER****COUNCIL INFORMATION AND FOLLOW-UP REQUESTS**

This item is scheduled to give City Council members an opportunity to publicly request information or follow up on issues of interest to the community. If the information is available, staff will immediately provide it to the City Council member. No decisions will be made or action taken.

**CONSENT ACTION**

This item is scheduled to allow the City Council to act on the Mayor's recommendations on the Consent Agenda. There is no Consent Agenda for this meeting.

**CALL FOR AN EXECUTIVE SESSION**

A vote may be held to call an Executive Session for a future date.

**REPORTS AND BUDGET UPDATES BY THE CITY MANAGER**

This item is scheduled to allow the City Manager to provide brief informational reports on topics of interest to the City Council. The City Council may discuss these reports but no action will be taken.

**DISCUSSION AND POSSIBLE ACTION (ITEMS 1-2)****1 Recommended Ballot Proposition for Fall 2024 Election**

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Request City Council to approve recommendations from the 2024 Expenditure Limit Task Force for a Local Alternative Spending Limit (also known as a Home Rule Option) be presented to voters on the Nov. 5, 2024, ballot.

**THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.****Responsible Department**

This item is submitted by City Manager Jeffrey Barton and the Budget and Research Department.

2     **Appointment for Interim Council Member for Council District 7**

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This item is scheduled to allow Council members and the public an opportunity to hear presentations by individuals seeking appointment as the interim Council member for City Council District 7, and for City Council to appoint an individual to fill the Council District 7 vacancy. As outlined in Mayor Kate Gallego's March 19, 2024 memo (**Attachment A**), each interested candidate, in alphabetical order, will have up to five minutes to make a statement to the City Council.

The City Charter states that when a vacancy occurs with more than one year remaining in the term, the City Council must appoint an individual to fill the vacancy until a Special Election is held to fill the remainder of the term.

**THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**

**Responsible Department**

This item is submitted by the City Manager's Office.

**ADJOURN**

## Recommended Ballot Proposition for Fall 2024 Election

Request City Council to approve recommendations from the 2024 Expenditure Limit Task Force for a Local Alternative Spending Limit (also known as a Home Rule Option) be presented to voters on the Nov. 5, 2024, ballot.

### THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.

#### Summary

The Task Force's recommended Home Rule Option would ask Phoenix voters to continue setting the annual spending limit equal to the annual budget. This alternative has been in place since 1999. This would allow Phoenix residents to continue to control local expenditures through the annual budget process, rather than default to a state-imposed formula.

Members of the 2024 Expenditure Limit Task Force included:

- Chairperson Monica Villalobos, President and CEO, Arizona Hispanic Chamber of Commerce;
- Rachel Aja, Director of Government Affairs, Cox Communications;
- Todd Sanders, President and CEO, Greater Phoenix Chamber; and
- Bryan Willingham, Fire Captain, Phoenix Fire Department; President, United Phoenix Firefighters Association Local 493.

The Task Force report, recommended ballot language, publicity pamphlet options, and information on the State Expenditure Limit are provided in **Attachment A** to this report.

#### Recommendation

The 2024 Expenditure Limit Task Force recommends referral to the Nov. 5, 2024, ballot of a local alternative expenditure limitation, that sets the limit equal to the annually adopted balanced budget after the Mayor and Council have publicly reviewed the budget. This limit will be in effect for four fiscal years beginning in 2025-26 through 2028-29.

With the Mayor and Council's approval, staff will prepare the necessary items to place

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this local alternative expenditure limitation on the Nov. 5, 2024, ballot.

Additionally, staff requests City Council to authorize the City Manager to set the dates of two public hearings required prior to placing a Local Alternative Expenditure Limitation on the Nov. 5, 2024, ballot. The two hearings would be set at the following dates and times:

- Wednesday, May 1, 2024, at 2:30 p.m. (Formal Council Meeting)
- Wednesday, May 15, 2024, at 2:30 p.m. (Formal Council Meeting)

Immediately following the second public hearing on May 15, 2024, the Council will convene in a special session to consider adoption of the proposition for the ballot.

**Concurrence/Previous Council Action**

The 2024 Expenditure Limit Task Force approved recommending to City Council a Local Alternative Spending Limit also known as a Home Rule Option on March 14, 2024.

**Responsible Department**

This item is submitted by City Manager Jeffrey Barton and the Budget and Research Department.



City of Phoenix

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## **Recommended Ballot Proposition for Fall 2024 Election**

The 2024 Expenditure Limit Task Force recommends a Local Alternative Spending Limit (also known as a Home Rule Option) be presented to voters on the Nov. 5, 2024 ballot.

### **Summary**

Our recommended Home Rule Option would ask Phoenix voters to continue setting the annual spending limit equal to the annual budget. This alternative has been in place since 1999. This would allow Phoenix residents to continue to control local expenditures through the annual budget process, rather than default to a state-imposed formula.

Members of the 2024 Expenditure Limit Task Force included: Chairperson Monica Villalobos, President and CEO, Arizona Hispanic Chamber of Commerce; Rachel Aja, Director of Government Affairs, Cox Communications; Todd Sanders, President and CEO, Greater Phoenix Chamber; and Bryan Willingham, Fire Captain, Phoenix Fire Department, President, United Phoenix Firefighters Association Local 493.

Our recommended ballot language options are provided in this report, and additional information is also attached. This report provides brief information on our process and deliberations resulting in this recommendation.

### **THE ISSUE**

The City of Phoenix, like most Arizona cities and towns, has had an alternative expenditure limit in place for many years. This limit, most recently approved by voters in 2020, allows the City to locally control expenditures by deciding what programs, services, and facilities will be provided in our community through the annual budget process. Without this alternative expenditure limit, our services would be controlled by a formula that limits annual spending to 1979-80 levels, adjusted only for population and national inflation.

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Phoenix residents have approved ten Home Rule Options since 1981. Our current Home Rule Option provides for the Mayor and Council to set the limit at the adopted budget following community input on the proposed spending plan. This Home Rule expires on June 30, 2025. On Nov. 15, 2023, the Mayor and Council appointed the 2024 Expenditure Limit Task Force to study the provisions of the constitutional spending limit and to make a recommendation on our future approach to an alternative expenditure limit.

The consequence of not establishing some form of an alternative expenditure limit would require the City to drastically cut services and potentially incur the cost of issuing new debt.

Additional background information on the State Expenditure Limit is included in this report.

### TASK FORCE PROCESS

During a series of three meetings, the Task Force reviewed and discussed the history of the Arizona Expenditure Limitation, previous spending limits for the City of Phoenix and expenditure and service demand forecasts for all major City funds. The Task Force considered other forms of modifying the limit, reviewed information on factors affecting expenditures since 1979-80, and compared the Phoenix limit per capita to other Arizona cities and towns with populations greater than 100,000 (attached to this report).

The forecasts assume moderate economic growth over the next several years, with no period of recession. Our analysis indicates that in 2024-25 the City's financial forecast for services to city residents will exceed the spending limit formula by over \$2.5 billion. Conservatively, that gap will remain approximately \$2.3 billion by 2028-29. These amounts are based on existing revenue sources and do not assume any new revenue sources or the addition of new City services.

Our review of the factors impacting expenditures since 1979-80 identifies voter-approved enhancements for programs such as police, fire, transit, and parks and preserves that are clearly desired by the community but that are not incorporated via the formula. Also evident is the impact of environmental and other mandates and regional services such as airports, that are fully funded from airline and passenger fees, having grown disproportionately faster than the state formula supports. Finally, Phoenix's limit per capita is one of the lowest of all Arizona cities and towns with populations of more than 100,000, yet the City provides many essential programs and services that benefit other communities in the region and state.

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A permanent base adjustment was reviewed as an option to the Home Rule. Though there was some consideration and discussion, there are concerns with the permanent base adjustment. One reason is the permanent change would not be truly permanent because, similar to the original limit, it would grow by inflation and population and not other factors. Another reason is that the periodic review and reconsideration by the community and tie to the annual, public budget process is lost with such an approach.

After reviewing the issues related to the state-mandated spending limit and its potential impact on the City of Phoenix, the 2024 Expenditure Limit Task Force supported an Alternative Expenditure Limit (Home Rule Option), which sets the annual limit equal to the annual balanced budget and requires the Mayor and Council to continue to obtain community input on the budget before adoption. The budget, and therefore the expenditure limit, would be constrained to the resources available and approved through the annual budget process. The Task Force agreed this is the most appropriate form of a local alternative expenditure limitation for the City of Phoenix today.

In all, 82 of 91 cities and towns throughout the state were reported by the League of Arizona Cities and Towns to have some type of relief from the state-imposed expenditure limit to meet community needs. Home Rule Options are utilized by 43 of those cities.

Continuing the current Home Rule Option recognizes the City's long-standing practice of seeking and providing opportunities for resident comment on an annual basis through hearings and/or other means of input. This also allows our residents and their locally elected representatives to decide what services will be provided. This commitment to transparency and involvement of the community in decision making by the City of Phoenix is further demonstrated by the formation of this Citizens' Task Force. State law does not require such an approach to develop and place an alternative expenditure limit before the voters.

## RECOMMENDATION

The 2024 Expenditure Limit Task Force recommends referral to the Nov. 5, 2024 ballot of a local alternative expenditure limitation that sets the limit equal to the annually adopted balanced budget after the Mayor and Council have publicly reviewed the budget. This limit will be in effect for four fiscal years beginning in 2025-26 through 2028-29. This limit recognizes:

- The Mayor and City Council, after receiving input from residents, will have the ability
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to spend already available funds for services such as police, fire, parks and recreation, libraries, neighborhood services, solid waste collection, transit services, a safe and adequate water supply, and a modern, convenient airport that are deemed important by the local community.

- A locally established expenditure limit allows the City to implement previous voter-approved mandates for enhanced services such as improved public safety, improved transit services, and the expansion of parks and desert preserves.
- The City of Phoenix has a proven track record of making needed reductions to balance its annual budget relying upon its long-established open budget process, with many opportunities for residents to communicate their budget priorities to the Mayor, City Council and City Management.
- Unlike seeking a permanent adjustment to the base limit, this local alternative limit will continue the process of review and voter approval on a four-year cycle.

This recommended alternative limit will allow Phoenix residents and their locally elected representatives to continue to locally control expenditures to achieve the community's priorities.

With the Mayor and Council's approval, staff will prepare the necessary items to place this local alternative expenditure limitation on the Nov. 5, 2024 ballot.

Additionally, request to authorize the City Manager to set the dates of two public hearings required prior to placing a Local Alternative Expenditure Limitation on the Nov. 5, 2024 ballot. The two hearings would be set at the following dates and times:

1. Wednesday, May 1, 2024 at 2:30 p.m.
2. Wednesday, May 15, 2024 at 2:30 p.m.

Immediately following the second public hearing on May 15, 2024, the Council will convene in a special session to consider adoption of the proposition for the ballot.

Attached to this report are copies of the ballot and publicity pamphlet language recommended by the Task Force. This item will be placed on the Maricopa County ballot on Nov. 5, 2024. Two options of the ballot language are provided for consideration. The first option provides more information on the Expenditure Limit item and the second option is condensed in the event the City is notified by the County of space limitations on the ballot. Final City Council adoption of the ballot language options recommended by the Task Force is scheduled for June 12, 2024 after the two legally required public hearings and publication of the vote to refer the proposition to voters.

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The 2024 Expenditure Limit Task Force approved recommending to City Council a Local Alternative Spending Limit also known as a Home Rule Option on Mar. 14, 2024.

## Ballot Language Option #1

2024

### BALLOT PROPOSITION

#### PROPOSITION NUMBER XXX

#### LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION

#### **OFFICIAL TITLE: Resolution No. XXX**

A RESOLUTION OF THE COUNCIL OF THE CITY OF PHOENIX PROPOSING THE CONTINUANCE OF A LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION. THIS ALTERNATIVE EXPENDITURE LIMITATION WOULD SET THE LIMIT EQUAL TO THE BUDGET ADOPTED BY THE CITY COUNCIL.

#### Descriptive Title

Continue the existing locally controlled alternative expenditure limitation allowed by Article IX, Section 20 (9) of the Arizona Constitution. If approved, it would keep the annual expenditure limitation equal to the City Council adopted budget for the next four years. Constitutional and previously authorized voter exclusions shall continue to apply.

#### Effect

A “Yes” vote shall have the effect of continuing local control by allowing the Mayor and City Council, by a majority vote, and after obtaining community input on the proposed spending plan to establish a local expenditure limitation.

A “No” vote shall have the effect of the city operating under the state-imposed expenditure limitation formula based on 1979-80 expenditures adjusted for inflation and population. This will result in an estimated \$2.0 billion reduction in the fiscal year 2025-26 budgeted expenditures and reductions in or eliminations across all City services.

#### Question

Shall the Alternative Expenditure Limitation set forth in Phoenix City Council Resolution No. XXXXX be adopted as part of the local expenditure control program of the City of Phoenix?

YES

NO

## Ballot Language Option # 2

2024

### BALLOT PROPOSITION

#### PROPOSITION NUMBER XXX

#### LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION

##### Question

Shall the Alternative Expenditure Limitation set forth in Phoenix City Council Resolution No. XXXXX be adopted as part of the local expenditure control program of the City of Phoenix?

A “Yes” vote shall have the effect of continuing local control by allowing the Mayor and City Council, by majority vote, and after obtaining community input on the proposed spending plan to establish a local expenditure limitation. Constitutional and previously authorized voter exclusions shall continue to apply.

A “No” vote shall have the effect of the city operating under the state-imposed expenditure limitation formula based on 1979-80 expenditures adjusted for inflation and population. This will result in an estimated \$2.0 billion reduction in the fiscal year 2025-26 budgeted expenditures and reductions in or eliminations across all City services.

YES

NO

## Option #1

2024

### PUBLICITY PAMPHLET

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##### Question

Shall the Alternative Expenditure Limitation set forth in Phoenix City Council Resolution No. XXXXX be adopted as part of the local expenditure control program of the City of Phoenix?

YES

NO

## SUMMARY ANALYSIS

### City of Phoenix, Arizona Locally Controlled Alternative Expenditure Limitation

The voters of Phoenix have previously approved locally controlled alternative expenditure limitations in 1981, 1985, 1991, 1995, 1999, 2003, 2007, 2011, 2015 and 2020. The purpose of this election is for the continued use of a locally controlled alternative expenditure limitation.

Pursuant to the Arizona Constitution, the City of Phoenix will seek voter approval to continue a Locally Controlled Alternative Expenditure Limitation for the next four fiscal years, beginning in 2025-26. Any and all dollar figures presented in the following summary are estimates only and are based on the best information available at the time of the analysis.

Under a locally controlled alternative expenditure limitation, if approved by the voters, the City estimates it will be allowed to expend the following approximate amounts (in thousands): \$6,500,523 in 2025-26, \$6,497,592 in 2026-27, \$6,825,608 in 2027-28, and \$6,671,907 in 2028-29.

The amount of revenue estimated to be available to fund the operation of your City government (in thousands) is \$6,500,523 in 2025-26, \$6,497,592 in 2026-27, \$6,825,608 in 2027-28, and \$6,671,907 in 2028-29. Revenue received from federal, state, and local sources will continue to fund the increased expenditure authority associated with the Locally Controlled Alternative Expenditure Limitation Plan. Expenditures will not exceed revenue. The revenue estimates are the same under the locally controlled alternative expenditure limitation and the State limitation. The City property tax levy shall remain limited to the amount prescribed by the Arizona State Constitution.

With voter approval, the City of Phoenix will utilize additional expenditure authority under this plan for all local budgetary purposes, including criminal justice, public safety, transportation, community development, community enrichment, environmental services, capital improvements, debt service, and general government. This additional expenditure authority shall be in effect only for fiscal years 2025-26, 2026-27, 2027-28, and 2028-29.

Under the State-imposed limitation, after considering the constitutionally allowed exclusions, the City estimates it will be allowed to expend the following approximate amounts (in thousands): \$4,450,609 in 2025-26, \$4,407,755 in 2026-27, \$4,586,862 in 2027-28, and \$4,417,267 in 2028-29 for the operation of your local government. If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the City of Phoenix. This would result in a combination of service cuts and new debt estimated at (in thousands): \$2,049,914 in 2025-26, \$2,089,837 in 2026-27, \$2,238,746 in 2027-28 and \$2,254,640 in 2028-29.

All dollar figures presented in this summary are estimates only and are based on the best information available at the time of the 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.



## Option #2

2024

### PUBLICITY PAMPHLET

#### LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION

##### **OFFICIAL TITLE: Resolution No. XXX**

A RESOLUTION OF THE COUNCIL OF THE CITY OF PHOENIX PROPOSING THE CONTINUANCE OF A LOCALLY CONTROLLED ALTERNATIVE EXPENDITURE LIMITATION. THIS ALTERNATIVE EXPENDITURE LIMITATION WOULD SET THE LIMIT EQUAL TO THE BUDGET ADOPTED BY THE CITY COUNCIL.

##### Descriptive Title

Continue the existing locally controlled alternative expenditure limitation allowed by Article IX, Section 20 (9) of the Arizona Constitution. If approved, it would keep the annual expenditure limitation equal to the City Council adopted budget for the next four years. Constitutional and previously authorized voter exclusions shall continue to apply.

##### Question

Shall the Alternative Expenditure Limitation set forth in Phoenix City Council Resolution No. XXXXX be adopted as part of the local expenditure control program of the City of Phoenix?

A "Yes" vote shall have the effect of continuing local control by allowing the Mayor and City Council, by majority vote, and after obtaining community input on the proposed spending plan to establish a local expenditure limitation. Constitutional and previously authorized voter exclusions shall continue to apply.

A "No" vote shall have the effect of the city operating under the state-imposed expenditure limitation formula based on 1979-80 expenditures adjusted for inflation and population. This will result in an estimated \$2.0 billion reduction in the fiscal year 2025-26 budgeted expenditures and reductions in or eliminations across all City services.

YES

NO

## SUMMARY ANALYSIS

### City of Phoenix, Arizona Locally Controlled Alternative Expenditure Limitation

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With voter approval, the City of Phoenix will utilize additional expenditure authority under this plan for all local budgetary purposes, including criminal justice, public safety, transportation, community development, community enrichment, environmental services, capital improvements, debt service, and general government. This additional expenditure authority shall be in effect only for fiscal years 2025-26, 2026-27, 2027-28, and 2028-29.

Under the State-imposed limitation, after considering the constitutionally allowed exclusions, the City estimates it will be allowed to expend the following approximate amounts (in thousands): \$4,450,609 in 2025-26, \$4,407,755 in 2026-27, \$4,586,862 in 2027-28, and \$4,417,267 in 2028-29 for the operation of your local government. If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the City of Phoenix. This would result in a combination of service cuts and new debt estimated at (in thousands): \$2,049,914 in 2025-26, \$2,089,837 in 2026-27, \$2,238,746 in 2027-28 and \$2,254,640 in 2028-29.

All dollar figures presented in this summary are estimates only and are based on the best information available at the time of the 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.

## **Expenditure Limit Frequently Asked Questions**

### **1. What is the State expenditure limit?**

It is a State Constitutional limit approved by voters in 1980 which restricts annual spending limits of cities and towns. The limit applies to all local revenues.

- Limits spending to 1979-80 levels adjusted for:
  - Population; including annexations
  - Inflation; gross domestic product and inflation price deflator
  - Population and inflation factors are provided by the State
- Exempts certain expenditures:
  - Federal funds
  - Bond proceeds
  - Debt service
  - Arizona Highway User Revenue (AHUR)
  - Local Transportation Assistance (LTA)
  - Other jurisdictions' contributions (e.g. the Sub-Regional Operating Group for the 91<sup>st</sup> Avenue wastewater treatment plant)

### **2. What happens if we exceed the spending limitation?**

The State will withhold state-shared income tax revenues in a formula-based amount set by statute. For Phoenix, this could result in the General Fund losing about \$120 million per year which would be redistributed to all other cities and towns in Arizona.

### **3. What options do cities have to change the limits?**

There are four methods for obtaining approval to change the limits.

#### Alternative Expenditure Limitation (Home Rule Option)

- Only in effect for four years, then must be reapproved by voters.
- Any and all expenditures can be exempted from the limit.
- Must be voted on in the year preceding the first fiscal year to which the alternative expenditure limit will apply.
- Can only be voted on at a regularly scheduled election of the local governing board (city council).
- If the voters do not approve the alternative expenditure limitation, the city must wait two years before putting it on the ballot again.
- The City would be subject to the standard state limitation during that time.

#### Permanent Base Adjustment

- Permanently increases the base from which future spending limits are calculated.

- Does not provide for any increase in exemptions other than those constitutionally allowed.
- Can only be voted on at a regularly scheduled election of the local governing board (city council).

#### One-Time Override

- Applies in the following circumstances:
  - In the event of a natural or man-made disaster and approval by council – may exceed limit for expenditures directly necessitated by the disaster.
  - Upon affirmative vote of two-thirds of the council and approval by a majority of voters – may exceed limit by the specific amount approved.
- Can be voted on at either a regular or special election.
- Only good for the following fiscal year.

#### Capital Accumulation Exclusion

- Authorizes a permanent exclusion of a fixed level of operating funds for pay-as-you-go capital. Limited exclusions for Aviation, Water, Wastewater and Streets were authorized in 1981.
- No cities or towns have this option because the Home Rule Option and Permanent Base Adjustment can include capital project expenditures.

### **4. Can Phoenix go to another approach besides the Home Rule Option?**

Phoenix could go to a permanent base adjustment. Concerns identified through prior citizen discussions include:

- This approach does not require periodic review by a citizens' group.
- A permanent base adjustment may not be truly permanent. Each year the expenditure limit will be calculated based on inflation and local population. At some point, it is possible that expenditures would again exceed the limit. All spending is subject to pressures not addressed by population and inflation factors such as environmental mandates and regional issues. This is especially true of Enterprise Departments, particularly the airport. Additionally, the ability to improve services in accordance with regional economic conditions and residents' wishes would be limited.
- Phoenix' previous attempts at permanent base adjustments have all failed. Permanent base adjustments for replacement of Federal Transit Assistance and Federal Revenue Sharing funds were defeated in 1985. A permanent base adjustment for transit expenditures was defeated in 1997.

## Factors Impacting City Expenditures

The list below identifies several examples of changes experienced by the City of Phoenix since 1979-80. These changes are the result of many factors that are not accounted for in the state-imposed formulaic spending limit. The factors generally include growth in regional services provided to residents outside Phoenix boundaries, environmental mandates, additional security requirements, and additional services adopted by Phoenix voters and City Council including public safety, parks and preserves, transit, and improved infrastructure.

- Many of our services and facilities are regional and serve more than just Phoenix residents. For example, there were 6.5 million airport passengers in 1979-80, but 48 million are projected for 2023-24, which greatly exceeds the rate of Phoenix population increase over that period.
- The airport has experienced significant facility expansion including the opening of new Terminals 3 (1980) and 4 (1990). Terminal 4 was further expanded in 2004 and 2005 including a new 14-gate concourse, additional parking facilities and a third runway as a result of growth. A new Terminal 3 concourse, post security passenger connection bridge between Terminals 3 and 4, and a new crossfield taxiway are all expected by 2027.
- The consolidated Rental Car Center opened in 2005-06, and the first segment and second segments of the PHX Sky Train opened in 2013. Its final segments connecting to the 24<sup>th</sup> Street Station and Rental Car Center opened in 2022.
- A new passenger facility charge allows more cost-effective pay-as-you-go financing rather than the use of debt for airport projects such as taxiway and runway improvements, PHX Sky Train design and implementation, voluntary land acquisition and noise mitigation efforts (first PFC program was in 1996).
- Many City facilities, including the airport and water facilities, have experienced significant increases in security costs since 9/11.
- Water and Wastewater have experienced increased capital improvement costs for aging and deteriorating infrastructure. Using pay-as-you-go financing, rather than debt, for some of these projects has kept overall costs to ratepayers down.
- Water and Wastewater's costs for electricity and chemical costs are impacted by usage, source, quality of water and regulatory demands.
- Infrastructure must expand ahead of growth to be sure services are available when needed.
- Solid Waste has added citywide recycling (1998), improvements to uncontained trash pick-up, two recycling facilities (1998 and 2007), the SR85 landfill (2006), and two transfer stations (1995 and 2006) have been added.

- Solid Waste continues to push toward increasing the diversion rate and achieving zero waste to the landfill by 2050. These efforts include the opening of a Resource Innovation Campus (2015) and a composting facility (2017) at the 27th Avenue Transfer Station.
- Environmental mandates such as the Clean Water Act (1987), the National Pollution Discharge Elimination System (2000), the Safe Drinking Water Act (1992), the Groundwater Management Act (2006), the Clean Air Act (1998), the Federal Solid Waste Disposal Act and Wastewater Reuse Regulation have all increased costs.
- The Phoenix Convention Center was expanded in the early 1980s and again in 2009 benefiting the entire region. The Herberger and Orpheum Theatres were added in the 1990s.
- Voters approved a new Transit tax in 2000 mandating additional services including new routes, route extensions, additional hours of operation, weekend and holiday service and enhancements to dial-a-ride. Voters extended this tax as the T2050 program in 2016.
- Operating costs associated with Light Rail began in December 2008, and service continues to grow, most recently with the opening of the Northwest Extension in early 2024.
- Voters approved a new Parks and Preserves Initiative tax in 1999 and reauthorized the tax for a 30-year period in 2008 mandating improved and expanded parks and open space.
- The Fire Department began providing ambulance service in 1985.
- Previously exempt Federal Revenue Sharing Funds and Federal Transit Assistance Funds were replaced with an increase in the sales tax that is subject to the limit in the mid-80s.
- Voters passed the Public Safety Enhancement tax (2005) on utilities with franchise agreements and increased sales tax for Public Safety Expansion (2007) to be used to hire and support Police and Fire.
- Funding from the telecommunications industry (1998) now exists to repay residents for use of the right-of-way.
- New Sports Facilities funding (1989) pays for arena and other sports-related costs.

# Expenditure Limit Comparison by City

City	Population		Population Factor	Inflation Factor	FY 1979/80 Base Limit	Preliminary		2024/25 Limitation per Resident
	2023	1978				FY 2024/25 Expenditure Limitation	1979/80 Limitation per Resident	
Apache Junction	39,453	9,500	4.1529	3.6704	\$ 1,581,484	\$ 107,941,612	\$ 166	\$ 2,736
Avondale	94,830	6,900	13.7435	3.6704	1,525,417	601,962,824	221	6,348
Tolleson	7,322	4,190	1.7475	3.6704	966,494	6,199,020	231	847
Chandler	285,231	23,500	12.1375	3.6704	7,245,951	322,799,200	308	1,132
<b>Phoenix</b>	<b>1,682,053</b>	<b>717,000</b>	<b>2.3460</b>	<b>3.6704</b>	<b>229,200,625</b>	<b>1,973,533,544</b>	<b>320</b>	<b>1,173</b>
Queen Creek	76,752	2,525	30.3968	3.6704	818,277	704,912,413	324	9,184
Mesa	521,074	130,000	4.0083	3.6704	54,090,640	795,767,808	416	1,527
Gilbert	280,391	4,250	65.9744	3.6704	2,346,450	568,191,377	552	2,026
Tucson	555,823	311,400	1.7849	3.6704	188,097,586	1,232,279,780	604	2,217
Scottsdale	248,542	83,000	2.9945	3.6704	55,861,444	613,962,787	673	2,470
Glendale	257,962	84,000	3.0710	3.6704	67,955,628	765,967,026	809	2,969
Tempe	194,205	102,000	1.9040	3.6704	95,579,379	667,932,590	937	3,439
Paradise Valley	12,749	10,425	1.2229	3.6704	10,185,794	45,719,676	977	3,586
Buckeye	109,729	3,175	34.5603	3.6704	5,000,000	634,243,304	1,575	5,780
Goodyear	111,508	2,500	44.6032	3.6704	4,125,000	675,302,201	1,650	6,056
Peoria	202,183	10,500	19.2555	3.6704	18,247,857	1,289,660,507	1,738	6,379
Surprise	160,273	3,550	45.1473	3.6704	9,500,000	1,574,214,154	2,676	9,822
					<b>Average</b>	<b>\$</b>	<b>834</b>	<b>\$ 3,982</b>

\*Data Source is Preliminary FY24/25 Expenditure Limits for Cities/Towns: Economic Estimates Commission ADOR <https://azdor.gov/reports-statistics-and-legal-research/economic-estimates-commission>



## **Appointment for Interim Council Member for Council District 7**

This item is scheduled to allow Council members and the public an opportunity to hear presentations by individuals seeking appointment as the interim Council member for City Council District 7, and for City Council to appoint an individual to fill the Council District 7 vacancy. As outlined in Mayor Kate Gallego's March 19, 2024 memo (**Attachment A**), each interested candidate, in alphabetical order, will have up to five minutes to make a statement to the City Council.

The City Charter states that when a vacancy occurs with more than one year remaining in the term, the City Council must appoint an individual to fill the vacancy until a Special Election is held to fill the remainder of the term.

### **THIS ITEM IS FOR DISCUSSION AND POSSIBLE ACTION.**

#### **Summary**

Councilwoman Yassamin Ansari resigned from City Council District 7 effective March 28, 2024. Because there are more than 365 days remaining in the Council District 7 term, the Phoenix City Charter mandates that the Council appoint a person to fill the vacancy on an interim basis, not less than 12 days, but no more than 15 days, from the date of the vacancy.

A packet with applicant cover letters and resumes will be available Monday, April 8, 2024, after the 5 p.m. filing deadline at this link:

<https://www.phoenix.gov/cityclerk/elections/november-election-24/vacancy>

#### **Responsible Department**

This item is submitted by the City Manager's Office.

## ATTACHMENT A



**City of Phoenix**  
Office of Mayor Kate Gallego

March 19, 2024

To: Jeffrey Barton  
City Manager

From: Kate Gallego  
Mayor

This memo outlines the procedure the City Council will use to fulfill its duty to appoint a new Councilmember to fill the expected District 7 vacancy. Councilwoman Yassamin Ansari has announced her intention to step down from the Council effective 3:00 p.m. March 28, 2024.

I am committed to ensuring the vacancy is filled in the most open and transparent way possible, and in accordance with the strict guidelines set forth by the City Charter. Because there are more than 365 days remaining on the District 7 term, the Charter requires that several steps are taken in a short timeframe.

After reviewing the Charter and the procedures used to fill past vacancies, I recommend the process outlined below, which complies with the Charter and the State's Open Meetings Law. I will forward this memo to the City Clerk to be posted and made available to the public.

### Interim Council Seat

1. The Charter mandates that the Council appoint a person to fill the vacancy on an interim basis, with the term ending the first business day after the canvass of votes for the Special Vacancy Election. This appointment must occur not less than 12 days, but no more than 15 days from the date of vacancy. Therefore, I am adding this item to the agenda for the scheduled Policy Session on April 9, 2024, at 2:30 p.m. at the Council Chambers. At this time, the Council will hear from all interested candidates and then select an interim appointed District 7 Councilmember.
2. Eligible residents who are interested in being considered for the interim appointment are strongly encouraged to submit a letter of interest and a resume. Candidates must submit all materials to the Phoenix City Clerk no later than 5 p.m. on April 8, 2024 (the deadline to submit falls on a Sunday, therefore it is moved to the next business day, Monday the 8th). At that time the Clerk will distribute copies of all submitted documents to the full council.
3. At the April 9, 2024, Policy Session, each interested candidate, in alphabetical order, will have up to five minutes to make a statement to the Council. Once the Council has heard from every candidate, the Council will be able to ask questions of the candidates. Once presentations and questions are completed, the Council will vote to select the interim District 7 Councilmember. As allowed by the Charter, any Councilmember may nominate a qualified individual to fill the vacancy, with no second required. The Council will vote on candidates in the order in which they were nominated, as recognized by the Mayor. The first candidate to receive an affirmative majority of the votes of the

Councilmembers present will be selected to fill the vacancy. The interim Councilmember will take office as soon as the oath of office has been administered and signed and will serve until the first business day after the canvass of the votes for the November 5, 2024, Special Vacancy Election.

#### Special Vacancy Election

1. Qualified residents who live in District 7 and would like to run in the required November 5, 2024, Special Vacancy Election must declare as a candidate within 10 calendar days from the date of the vacancy, which in this case will be 5 p.m. April 8, 2024 (the deadline to declare as candidate falls on a Sunday, therefore it is moved to the next business day, Monday the 8th). More information regarding this process will be available on the Phoenix City Clerk's office website at [phoenix.gov/elections](http://phoenix.gov/elections) or by calling 602-262-6837.
2. In accordance with the Charter, the Council must call a Special Election within 10 calendar days after the first 10-day period (i.e., within 10 days of April 7). I request that the Council consider calling for the special election at the 2:30 p.m. Formal Council Meeting on April 17, 2024. The next allowable date for the Special Vacancy Election is November 5, 2024.

Thank you in advance for your assistance with this important matter.

Sincerely,



Kate Gallego  
Mayor

cc: City Council Members  
Stephanie Bracken, Executive Assistant to City Council  
Denise Archibald, City Clerk  
Julie Kriegh, City Attorney