

PERMANENT BASE ADJUSTMENT

Questions and Answers

What is a Permanent Base Adjustment?

A Permanent Base Adjustment is an adjustment to the maximum amount of money the City would otherwise be allowed to spend under state law. It is a mechanism through which the City will, if approved by the voters, be able to maintain City services and programs at their current levels.

Why is the Question of a Permanent Base Adjustment on the Ballot?

The Arizona Constitution imposes expenditure limitations on all cities and towns in the state. These limitations are based on each municipality's actual expenditures in 1979-80. The Constitution also allows the voters of a city or town to approve a temporary or permanent adjustment to these limitations. As of September 2010, approximately 85 percent of all Arizona cities and towns - including Cottonwood - operated under either a temporary or permanent alternative expenditure limitation.

Like most municipalities in Arizona, Cottonwood has experienced significant growth since 1979. In fact, the City's population has nearly tripled in that time, from approximately 4,200 residents in 1979 to a current population of approximately 11,200. Moreover, the City now provides many services it did not provide in 1979, including a full-time, professional fire department; a municipal water utility; a wastewater collection and treatment system; a public library; a public transportation system; a municipal courthouse; a state-of-the-art recreation center; and a wide range of recreational programs and events for children, teens, adults, and seniors.

Each year, the City adopts a detailed budget that estimates the revenues that will be received in the coming year and allocates those revenues according to the needs and desires of the community, to provide the services and programs the City's residents expect. These services and programs, along with related/necessary capital improvements are planned according to careful projections and assessments about the community's needs and preferences, with input from the City's residents during the budgeting process and throughout the year. Through the proposed Permanent Base Adjustment, Cottonwood's voters will have the opportunity to decide whether the City should continue to provide the types and amounts of services it currently provides to its residents.

Every four years since 1981, the City's voters have approved a temporary adjustment to the City's 1979-80 base expenditure limitation, commonly known as "Home Rule." This time, the City is proposing that the voters authorize a permanent adjustment to the 1979-80 base expenditure limitation, to bring the City's annual expenditure limitations in line with the types and levels of municipal services the City currently provides, as opposed to those it provided 30 years ago. Future increases in the City's base expenditure limitation would be possible, but only if approved by the voters in the future.

What is the Fiscal Impact of Approving or Rejecting the Proposed Permanent Base Adjustment?

The City's current total expenditure limitation (under the current, expiring Home Rule authorization) is approximately \$73.43 million dollars. (Because of state budgeting laws, this is the maximum amount of money the City can spend, but is not the amount it actually spends.) If the voters approve a Permanent Base Adjustment, the City's total FY 2014 expenditure limitation would be approximately \$74.12 million dollars, which represents an increase of less than 1 percent over the current year's budget limit. If the voters do not approve a Permanent Base Adjustment, the City's total FY 2014 expenditure limitation will be reduced by approximately 60 percent, to approximately \$29.16 million dollars, which will require significant cuts in services, programs, and capital projects throughout the City.

Will the Proposed Permanent Base Adjustment Increase My Taxes?

No. Approval of the Permanent Base Adjustment would only allow the City to spend the funds it currently has and reasonably anticipates receiving 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 reasonably anticipates receiving.

What are the Consequences of a "Yes" Vote on the Proposed Permanent Base Adjustment?

Approval of the proposed Permanent Base Adjustment will enable the City to continue providing services to the community at their current levels, absent any significant decrease in anticipated revenues.

What are the Consequences of a "No" Vote on the Proposed Permanent Base Adjustment?

If voters do not approve the proposed Permanent Base Adjustment, the City's total expenditure limitation will be reduced from approximately \$73.43 million dollars in FY 2013 to approximately \$29.16 million dollars in FY 2014. This represents a reduction of approximately 60 percent in the City's current total budget capacity. Such a reduction would result in significant cutbacks in City services, programs and capital projects.

For further information on the proposed Permanent Base Adjustment or to request an informational presentation to your group, please contact:

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Note: A Spanish translation of this brochure is available on request by contacting Jesus "Rudy" Rodriguez.

Nota: Una traducción al español de este folleto está disponible a petición comunicándose con Jesus "Rudy" Rodriguez.