PERMANENT BASE ADJUSTMENT DISCUSSION

January 27, 2026

BACKGROUND

- Arizona Constitution and Arizona Revised Statutes impose an expenditure limitation on every City and Town in the State.
    - Baseline expenditures from FY 1979-80
- State Economic Estimates Commission adjusts limitation each year
    - Standard inflation rate
    - Population growth

BACKGROUND

- Budget 1979/80 $966,494
- Population (1978) 4,190
- Population (2025) 7,400
  - Population growth 7400/4190=1.7661
  - Inflation growth 3.6712

- 2026-27 Exp Limitation $966,494 x 1.7661 x 3.6712 = $6,266,463

BACKGROUND

- Alternative options to the State-imposed limit
  - Home Rule
  - Permanent Base Adjustment
  - Capital Projects Accumulation Fund
  - One-Time override
- Expenditures from certain revenue sources are excluded from the expenditure limitation
  - Bond proceeds
  - Interest income
  - Grants
  - Intergovernmental revenues

WHY DOESN'T THE STATE-IMPOSED LIMITATION WORK IN TOLLESON?

- Assumes the 1979/80 budget provided sufficient service levels
  - Volunteer Fire Department
  - Regional WWTP
  - Senior Center, Library, Aquatic Center
- Does not account for new revenue sources
  - Additional Wastewater revenues
  - Increases in sales tax rates
  - E-Commerce Revenue
- Does not account for increases in commercial activity
  - Growth factor covers population and average inflation – not revenue growth
  - Regional shopping destination

HOME RULE OPTION

- Allows City to set alternative expenditure limitation at adopted budget amount
- Local control
- Home Rule option has been in place for 40 years
- Must be approved by the voters
- Approval required every 4 years

PERMANENT BASE ADJUSTMENT OPTION

- Permanent base adjustment modifies the expenditure base from 1979-80
- One-time approval by the voters
- Reduction of election costs and staff time every 4 years
- Provides stability to service levels
- 35,000,000 x 1.7661 x 3.6712 = $226,929,721

RECOMMENDATION

- Staff recommends that Council provide direction to move forward with a Permanent Base Adjustment election for 2026.

ESTIMATED STATE-IMPOSED LIMITATION

Fiscal Year	1979-80 Base Limit	x	Population Factor	x	Inflation Factor (Nov-2023 Memo)	=	Projected State-Imposed Expenditure Limitation	+	Estimated Exclusions	=	Total Expenditures Under State-Imposed Limit
2025-2026	$966,494	x	1.7475	x	3.5392	=	$5,977,526	+	$29,000,000	=	$34,977,526
2026-2027	$966,494	x	1.7661	x	3.6712	=	$6,266,463	+	$19,000,000	=	$25,266,463
2027-2028	$966,494	x	1.8138	x	3.7559	=	$6,584,193	+	$44,500,000	=	$51,084,193
2028-2029	$966,494	x	1.8377	x	3.8340	=	$6,809,667	+	$23,500,000	=	$30,309,667