

Sedona Home Rule Informational Pamphlet



Frequently Asked Questions regarding Home Rule and the Expenditure Limitation

In the August 2026 election, you will have the opportunity to vote on the City of Sedona's Home Rule Option, which allows the City to set its own maximum budget spending level each year.

What is the history and background of Home Rule?

In 1980, Arizona voters approved a tax reform package that was added to the Arizona Constitution. This reform limited what cities and towns could spend in their annual budget and gave the State the authority to impose a limit to spending. There are three options available to counties and cities for the budget limitation, the State-set limit, and two alternative spending limit methods that are discussed below.

What are the Limitation and Alternatives?

There are three possible limits included in the legislation that was passed in 1980. These are:

- State Expenditure Limitation. This limit is based on a city or county's 1979/80 budget adjusted for growth in population and a state-wide inflation factor. This limit does not apply to debt service payments or programs/projects that are grant-funded.
- Permanent Base Adjustment. This alternative, which requires a vote only when it needs to be increased, allows a city or county to "permanently" increase the base budget assumption. Instead of using the actual 1979/80 budget amount, voters adopt an adjustment to increase that base. The same population and inflation factors are then applied to establish the expenditure limit.
- Home Rule. This alternative, which requires a vote every four years, allows a city or county to set the expenditure limit annually, based on the adopted budget. No population or inflation factors apply.

As of 2026, 90% of cities in Arizona use either a Permanent Base Adjustment or Home Rule.

If Home Rule doesn't pass, will my property tax bill go down?

No. First, the expenditure limitation has no impact on taxes; second, the City of Sedona does not levy a property tax. While Sedona property owners pay property tax, these taxes are County, School District, Fire District and Community College levies, depending on which county you live in.

If Home Rule doesn't pass, will other taxes go down?

No. The State Limit does not apply to revenue. Revenue would still be collected; it would not be available to spend.

If Home Rule passes, will taxes and fees increase?

No, Home Rule does not affect taxes or any other source of revenue for the City. The limitation applies only to spending the money, not collecting it.

What changes if Home Rule passes?

If Home Rule passes, the Sedona City Council will continue to set the budget limit locally, as it has for the last 30 years, considering all available financial resources and addressing community needs and priorities.

The limitation set on the budget by the 1980 legislation is often misunderstood as a limit placed on the levy of taxes, charges for services and other fees. It is not. The limit allows for collection of all the same revenue, it only limits spending the money.

What happens to Sedona's budget if Home Rule does not pass?

If Home Rule does not pass, Sedona would operate under the State Limit, which will automatically set the City's annual budget limit using the formula created in 1980, adjusted to allow for debt service and grant funded programs and projects. Based on Fiscal Year 2026 figures, the City's annual budget would have been a maximum of \$15.4 million dollars. The adopted budget for FY26 is \$103.5 million, with \$87 million subject to the limit. The budget would have to decrease by more than 80% overall.

There are two methods to calculate the limit, shown below.

State-estimated 1979/80 Sedona "Base" Budget:	\$ 2,960,687
x FY 25/26 Population Growth Factor	1.3886
x FY 25/26 State-Wide Inflation Factor	3.7558
= FY 25/26 State-calculated expenditure limit*	<u>\$ 15,411,542</u>

* $2,960,687 \times 1.3860 \times 3.7558 = \$15,440,882$; State published limit = \$15,411,542

Calculating the City's Budget under the limit:

- A - State Calculated Expenditure Limit
- B - Estimated Exemptions - debt service, grants, funding from State, e.g., Highway User Revenue Fund (HURF)
- C - Total City Budget, FY25/26

Method 1: Add exemptions to the State-Set Limit for an "Adjusted Limit"

A	FY25/26 State-calculation expenditure limit	\$ 15,411,542
B	ADD: Exemptions	16,280,895
A + B	Adjusted Limit, including exemptions	<u>31,692,437</u>
C	Total City Budget, FY25/26	103,291,695
(A + B) - C	Amount in excess of limit	<u>\$(71,599,258)</u>

\$31,692,437 would be the maximum FY 25/26 Budget (including debt payments, grants and pass-through funds)

A reduction from the actual budget of 69.3%

Method 2: Reduce the City's total budget by the exemptions for "Adjusted Budget Subject to Limit"

A	FY25/26 State-calculation expenditure limit	\$ 15,411,542
C	Total City Budget, FY25/26	103,291,695
B	LESS: Exemptions	<u>(16,280,895)</u>
C - B	Adjusted Budget Subject to Limitation	87,010,800
A - (C - B)	Amount in excess of limit	<u>\$(71,599,258)</u>

Note that the budget amount in excess of the limit is the same regardless of the methodology.

How would the budget be cut if the State Limit were used?

Some municipal functions are required, and others are desirable, but not legally required. Only legally required services would be funded.

Legally required services include the City Clerk, City Council, Police operations, Wastewater services, the Municipal Court, streets, stormwater and facility maintenance, and planning, permitting and code enforcement. For FY26, these required functions cost approximately \$25.5 million, \$10.1 million over the budget maximum under the State Limit, meaning that 60% of required functions could be funded.

Services like Parks & Recreation, Sustainability, Housing, Arts & Culture, Transit, Housing, Boards & Commissions, Communications, Finance, IT and the City Manager, as well as capital improvement projects would not be funded.

If Home Rule doesn't reduce taxes or fees, what happens to the revenue collected if Home Rule does not pass?

While the State Limit controls the amount of funds that a city may spend, it does not change the amount of revenue that can be collected or received. All City revenue, such as sales tax, would still be collected, and would be deposited into City accounts. The funds would be unavailable for at least two years.

Where can I learn more about Home Rule?

The City of Sedona will hold two community meetings at City Hall in June 2026 to answer questions about Home Rule. The meetings will be live-streamed at sedonaaz.gov/councillive.

City Council held two public hearings regarding Home Rule on February 24, 2026 and March 10, 2026. The recordings of the hearings are available at sedonaaz.gov/councillive.

Where and when do I vote on Home Rule?

You can vote by mail or in person on July 21, 2026, from 6 AM to 7 PM at your precinct polling place or vote center. Please check with your County to confirm the location of your precinct polling place or the nearest vote center. If you have any questions, please contact the City Clerk's office at (928) 282-3113.

This information is being disseminated in order to educate voters about the Alternative Expenditure Limitation. Further information can be obtained from the [State of Arizona Office of the Auditor General website](https://www.auditorgeneral.gov).

YES is a vote to continue Home Rule

NO is a vote for the State-Imposed Expenditure Limit