

## BUDGET OVERVIEW

### *Total Budget Appropriation*

Sedona's total budget appropriation is comprised of six major elements: the *General Fund* or *operating budget* for on-going service expenses, the *Street Fund* for expenses on major street, drainage and right-of way improvements, the *Capital Fund* for expenses related to construction and/or acquisition of capital assets, *Debt Service Fund* for expenses related to the Jordan Park special improvement district, *Grants Fund* for expenses incurred by the City on any state or federal grant and the *Enterprise Fund* for expenses for sewer related improvements and debt service.

The total appropriation for fiscal year 2008-09 decreased by approximately 9 percent from \$60,597,694 million to \$55,099,793.

The General Fund budget, the best measure of the cost of services to citizens, increased from \$12,557,451 million to \$ 13,243,652 million this year. The City again experienced a leveling off of increases in local sales taxes and bed taxes compared to the increase experienced in the prior fiscal years. Additionally, this budget is experiencing the second of a three-year reduction in sales tax revenue due to construction on State Route 179. In response and preparation for expected impacts to sales tax revenue performance due to construction, the City Council carefully reviewed the budget and added very few new programs or staff. Last year the City Council also approved a policy to review all vacant positions for possible reorganization or elimination and will be reviewing contracts for funding of outside agencies for further budget control. These activities are the primary reasons behind the controlled increase in costs and revenue in the coming Fiscal Year.

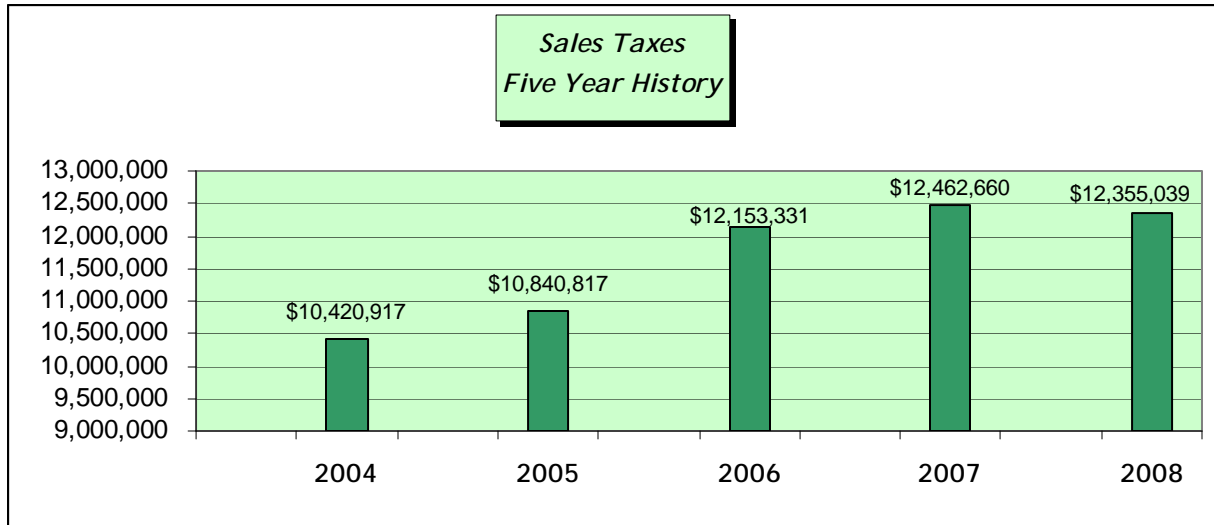
The City continues to update our long-term financial plan. In reviewing the long-term fiscal outlook for the City, it became evident that the City would need to provide new funding sources in order to avoid reductions in services. Staff and City Council are continuing the process of evaluating and prioritizing capital and programming needs and identifying possible funding strategies for those priorities. This long-term strategy will assist the City in developing programs and funding capital projects in a way to maintain a financially stable environment in the City for years to come.

A further explanation of these budget components follows in this section.

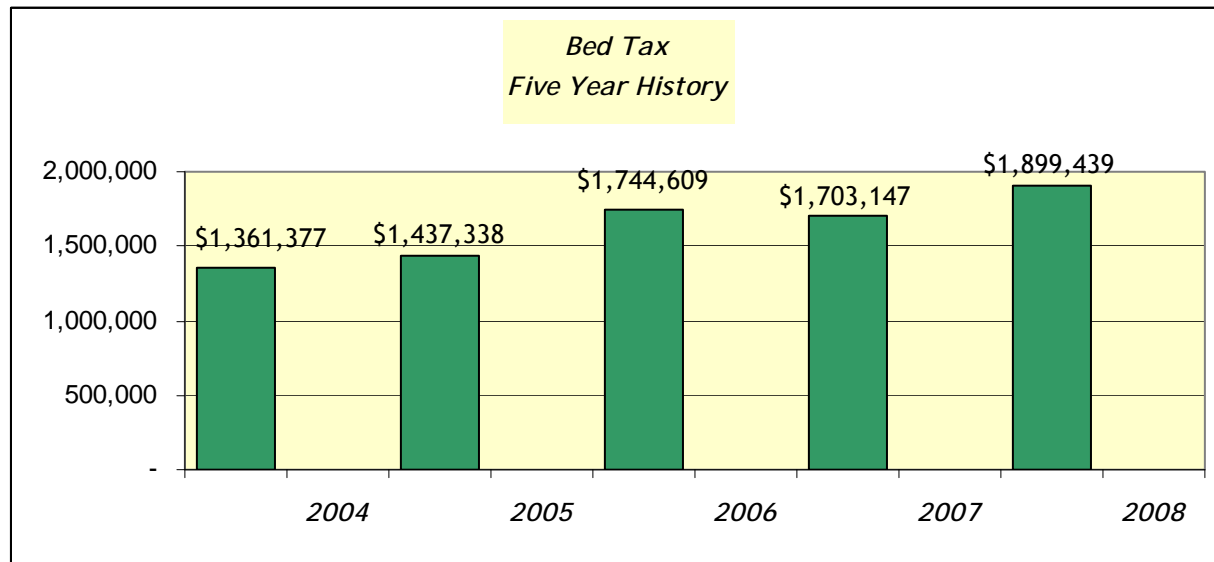
### Operating Revenues

Revenue determines Sedona's capacity to provide departmental or direct services to our citizens. One unique aspect of the City's revenue is the significant reliance on sales tax and state shared revenue to fund operations. The City has never levied property tax.

The City of Sedona has experienced approximately 4.9 percent (avg.) growth in sales taxes over the last five years



and approximately 9 percent (avg.) growth in bed tax over the same time period.



However, the City is experiencing a leveling off of sales and bed tax revenue receipts. The increase in Bed Tax is still affected by businesses reporting *sales* tax to the bed tax category. The City continues to work to educate businesses and correct the errors in categorizations.

*Local Taxes* are comprised of sales tax (\$11,784,223 million), bed tax (\$1,735,000 million), franchise fees (\$690,015 thousand), and impact fees/community facility district fees (\$800,668 thousand).

The *local privilege tax* (sales tax) is the City's largest single source of revenue and is obtained from the 3 percent tax on retail and other sales, excluding food. The sales tax

has three major uses. General City operations are funded with 1.12 percent of the tax. Capital improvements in the City are funded by .5 percent. Wastewater Debt and capital expenditures are paid with the remaining 1.38 percent. The City has experienced a minimal decrease in sales tax growth this past year, and anticipates a minimal reduction to continue as a result of the economy and the construction impacts from the project on State Route 179, a major access route to the City. A 4.8 percent decrease over prior experience in sales tax receipts is projected in 2008-09.

The *bed tax* is the City's second largest source of revenue and is obtained from the 3 percent tax on lodging. General City operations are funded by the tax. A decrease of 8.65 percent in bed tax revenues is projected in 2008-09.

The *franchise fees* are paid by Unisource Energy Services (gas), Arizona Public Service (electric), Sedona Cable, and Arizona and Oak Creek Water Companies. A percent of gross revenues are levied on these companies. The revenue raised from franchise fees is used to fund street maintenance, drainage and other general infrastructure maintenance. Franchise fees generally have kept pace with inflation. A 3 percent increase is projected for franchise fees in 2008-098.

The *impact fees* are paid by new development and *community facility district fees* are paid by timeshares in lieu of bed tax (timeshares are exempt from bed and sales tax in Arizona except on a "day by day" rental basis). Since 1998, the City has levied impact fees and community facility district fees. Impact fees were increased in 2007 and anticipated as a funding source in this budget.

### Intergovernmental

Revenues include the state sales tax and income tax collection, which are shared with cities and towns, based upon population.

Cities and towns share in a portion of the undedicated 5 percent sales tax collected by the state. Fifty percent is retained by the state, 40 percent designated for schools and the remaining 10 percent allocated to cities and towns. Cities and towns in Arizona are prohibited from levying an income tax, but are entitled to 15 percent of state income tax collected from two years previous.

The formula for distributing these taxes is based on the relation of the City's population to the total state population. The State Department of Revenue collects, distributes funds, and provides revenue forecasts to cities and towns for these revenue sources. The 2008-09 budget estimates an increase in state income tax at 4.75 percent and a decrease in shared sales tax of 1.58 percent.

*Transportation* revenues include highway user revenue tax (HURF- Gas Tax) and local transportation assistance funds (LTAF- State Lottery) and vehicle license taxes collected by the state. A state constitutional restriction on use of the HURF requires the

funds to be used solely for street and highway purposes. The fiscal year 2008-09 budget estimates an increase of 1.56 percent in state-shared HURF and 1.94 percent decrease in LTAF revenues. These changes are primarily related to the City's population not increasing at the state average.

*HURF* revenues are distributed based on population of each City and a portion distributed based upon the county of origin for the sale of the fuel. The current gas tax is 18 cents per gallon. Sedona and other cities sharing 27.5 percent of the state collected highway user revenue.

*LTAF* revenue is distributed based upon population and city and town participation in the lottery. LTAF revenue sharing was capped in 1989 by the state legislature resulting in no growth in this source of revenue.

*Vehicle License Taxes* are another state revenue source. The City receives its share of the vehicle license tax collected based upon its population in relation to the total incorporated population of the county. Historically, this revenue source has been volatile but shown steady increases.

### Capital Fund

The Capital Fund uses revenue from sales tax, impact fees, grants, borrowing and transfers from other funds. The annual Flexible Capital Improvement Budget is primarily funded by pay-as-you-go revenue from the .5 percent sales tax & one-time revenue sources such as grants.

All capital improvement projects are evaluated using a prioritization system to determine their funding level on an annual basis. These projects are then matched with estimated revenue to develop the City's Flexible Capital Budget. The 2008-09 budget for the capital fund is appropriated at \$11.8 million including information technology improvements. This budget includes revenue from the sale of excise tax bonds for State Route 179 improvements and other drainage projects.

### Debt Service Fund

The Jordan Park Special Improvement District pays for debt expenses in this fund. The 2008-09 budget estimates no increase in assessments for this fund. This fiscal year will be the final year for this Special Improvement District.

### Enterprise Funds

This represents the largest revenue source for the City. The fund is comprised of wastewater user fees, capacity fees and sales tax and bond revenues.

*Wastewater User Fees* are generated from the \$32.54 monthly fee per equivalent residential unit. Since starting major sewer extensions in 1995-96, the City has experienced consistent growth in user fees. The City will be extending the system to additional properties as the sewer lines are extended. *Capacity Fee* revenues are collected from the one time \$5,025 fee per equivalent residential unit required for residents and businesses to connect to the sewer. Fees are used to offset debt expenses for wastewater treatment plant capacity improvements.

*Sales Tax* revenues come from the 1.38 percent sales tax. The sales tax pays for the debt service on debt the City has incurred upgrading treatment capacity at the wastewater plant and extending sewer lines.

### Department/Direct Service Expenditure

Sedona's operating expenditures are comprised of fourteen separate departments. Salary and wages are increasing by an average of 5.8 percent in the budget, a minimal increase over last year.

### *General Fund - Where the Money Goes*

The *General Fund* consists of thirteen departments with fifty-seven programs spread through out the fund for all of the City's key operational expenditures. The General Fund is increasing from \$12,557,451 million to \$13,243,652 million. The General Fund budget is increasing approximately 5 percent. The increase is partially tied to inflation rate increases as well as continued participation in the destination-marketing program and the agreement with Northern Arizona Intergovernmental Public Transportation Authority (NAIPTA) for the implementation and operation of the public shuttle program. Also, the City is continuing its efforts related to parking enforcement.

### Flexible Capital Improvement Budget - Where the Money Goes

The Flexible Capital Improvement Budget is a process not a plan. Sedona is reviewing its capital improvement schedule and incorporating a five-year planning approach. Projects are prioritized and that list is then used by the City Council to develop the annual budget and project financial needs out over five years.

The Flexible Capital Improvement Budget is comprised of six major programs: Information Systems, Park and Recreation, General Services, Public Works, Arts and Culture and Police. Expenditures are presented on a budget basis rather than a cash flow basis. Governmental accounting procedures require adequate budget to pay for the entire contract to be available and appropriated in the period in which a contract is entered. However, actual cash expenditures under the contract may take place over

more than one period. This is the major cause for actual expenditures being less than budgeted expenditures.

*Parks and Recreation Program* provides funds for park and trail improvements. The Capital program includes improvements to the Parks area and funding for design of the Creekwalk.

*Community Development Program* provides funds for the continuation of service and construction of a joint facility to house the transit vehicles for the Shuttle system.

*Public Works Program* addresses major infrastructure projects. This program represents the largest expenditure in the Flexible Capital Improvement Budget. Projects focus on the drainage improvements, construction of sidewalks and handicap ramp reconstruction, additional fire hydrants, area traffic studies, funding for acquisition and construction of a parking structure, and funding for design in preparation for construction of future projects.

*Police Program* is for the on-going replacement of police vehicles. Sedona replaces police vehicles on a three-year cycle.

*Information Systems Capital Fund* address the hardware and software needs for the City's electronic infrastructure. Hardware purchases are budgeted for upgrading computers in departments on a scheduled basis.

*Arts and Culture Capital Fund* provides funds for Arts in Public Places projects. The director for Arts and Culture in consultation with the Arts and Culture Commission determines the designation of these funds.

## Citizen Impacts

*Utility User Fees* are monthly fees charged for sewer service. The fees represent the cost for operation, maintenance, and a portion of debt service on the wastewater plant. The current fee is \$32.54 per Equivalent Residential Unit. This fee has not increased since 1997. The 2008-09 budget does not propose an increase in fees.

*Capacity Fees* are the one-time connection cost for customers to connect to the sewer. The capacity fees represent the cost for providing sewer plant capacity. The current fees have increased from \$4,900 to \$5,025 per equivalent residential unit on July 1, 2008 per City ordinance.

The *Sales Tax* rate has been 3 percent since 1996. The budget does not propose any increase in this rate.

## Sedona Comprehensive Financial Policies

The following City financial policies establish the framework for Sedona's overall fiscal planning and management. They set forth the guidelines against which current budgetary performance can be measured and proposals for future programs can be evaluated. Sedona's publicly adopted financial policies show the credit rating industry and prospective investors (bond buyers) the City's commitment to sound financial management and fiscal integrity. The financial policies also improve the City's fiscal stability by helping City officials plan fiscal strategy with a consistent approach. Adherence to adopted financial policies promotes sound financial management, which can lead to improvement in City bond ratings and lower cost of capital.

### Operating Management Policies

1. All departments will share in the responsibility of meeting policy goals and ensuring long-term financial health. Future service plans and program initiatives will be developed to reflect current policy directives, projected resources and future service requirements.
2. The budget process is intended to weigh all competing requests for City resources, within expected fiscal constraints. Requests for new, ongoing programs made outside the budget process will be discouraged.
3. Addition of personnel will only be requested to meet strategic plan objectives, program initiatives and policy directives after service needs have been thoroughly examined and it is substantiated that additional staffing will result in increased revenue or enhanced operating efficiencies. To the extent feasible, personnel cost reductions will be achieved through attrition.
4. Current expenditures will be funded by current revenue and reserves if sufficient reserves exist.
5. No revenues will be dedicated for specific purposes (except .5 cent sales tax for capital improvements), unless required by law or generally accepted accounting practices (GAAP). All non-restricted revenues will be deposited in the General Fund and appropriated by the budget process.
6. Development fees for capital expenses attributable to new development will be reviewed every three years to ensure that fees match development-related expenses.

7. Grant funding should be considered to leverage city funds. Inconsistent and/or fluctuating grants should not be used to fund ongoing programs. Programs financed with grant moneys will be budgeted in a separate fund, and the service program will be adjusted to reflect the level of available funding. In the event of reduced grant funding, city resources will be substituted only after all program priorities and alternatives are considered during the budget process.
8. Balanced revenue and expenditure forecasts will be prepared to examine the City's ability to absorb operating costs due to changes in the economy, service demands, and capital improvements. The forecast will encompass five years and will be updated annually.
9. Cash and investment programs will be maintained in accordance with the adopted investment policy. City funds will be managed in a prudent and diligent manner with an emphasis on safety of principal, liquidity, and financial return on principal, in that order.
10. The City will follow an aggressive, but humane, policy of collecting revenues. All adjusted uncollectible accounts will be pursued to the limit of collection ability.

### Capital Management Policies

1. A Flexible Capital Budget Improvement Plan will be updated annually.
2. The capital improvement plan will include, in addition to current operating maintenance expenditures, adequate funding to support repair and replacement of deteriorating infrastructure and avoidance of a significant unfunded liability.
3. Future operating, maintenance, and replacement costs associated with new capital improvements will be forecast, matched to available revenue sources, and included in the Operating Budget.

### Debt Management Policy

1. The City will use debt to finance capital projects according to the priorities



established by the City. The capital projects to be financed should have an economic average life of at least five years. The City will attempt to use a Pay-as-you-go method prior to issuing debt for this purpose.

2. The City will strive to maintain or improve its credit ratings, although not at the expense of significantly delaying important capital projects.
3. The City will utilize the most cost-effective financing strategies available while still maintaining flexibility for future project financing. This includes investigating other financing alternatives such as state or federal aid or using new financing techniques.
4. The City will utilize realistic, but conservative assumptions for structuring its bonding program with regard to future revenue growth, interest rates, project costs, etc.
5. The City will endeavor to maintain an open line of communication between the rating agencies and the marketplace in general, in part by providing full on-going financial disclosure as required by law.
6. The City will follow prudent borrowing principals and not engage in any transactions involving significant market risk.
7. Improvement District and Community Facility District Bonds shall be issued only when there is a general city benefit. Both ID and CFD bonds will be utilized only when it is expected that they will be issued for their full term. It is intended that Improvement District and Community Facility District bonds will be primarily issued for existing neighborhoods desiring improvements to their property such as roads, sewer lines, streetlights, and drainage.
  1. Improvement District debt will be permitted only when the full cash value of the property to debt ratio (prior to improvements being installed) is a minimum of 3/1 prior to issuance of debt and 5/1 or higher after construction of improvements. These ratios will be verified by an appraisal paid for by the applicant and administered by the City. In addition, the City's cumulative improvement district debt will not exceed 5 percent of the city's secondary assessed valuation. Bonds issued to finance improvement district projects will not have maturities longer than ten years.

## Reserve Policies

1. An Economic Stabilization Reserve will be maintained as part of the General Fund balance to help offset operating revenue sources which are most susceptible to changes in the economy. The ultimate goal is for the Economic Stabilization Reserve balance to be maintained at 50 percent of annual general governmental (General/HURF funds) operating expenditures.
2. Sewer Replacement and Extension Reserve will be maintained to ensure adequate funding for infrastructure deterioration repair.
3. Contingency reserves to be determined annually will be maintained to offset unanticipated revenue shortfalls and/or unexpected expenditure increases. Contingency reserves may also be used for unanticipated and/or inadequately budgeted events threatening the public health or safety. Use of contingency funds should be utilized only after all budget sources have been examined for available funds.
4. Excess reserves will be used for one-time expenditures such as capital improvements, technology improvements and debt reduction strategies.

## Financial Reporting Policies

1. The City's accounting and financial reporting systems will be maintained in conformance with generally accepted accounting principles (GAAP) and standards of the Governmental Accounting Standards Board (GASB) and the Government Finance Officer Association (GFOA).
2. An annual audit will be performed by an independent public accounting firm, with an audit opinion to be included with the City's published Comprehensive Annual Financial Report (CAFR).
3. The City's CAFR will be submitted to the GFOA Certification of Achievement for Excellence in Financial Reporting Program. The financial report should be in conformity with GAAP, demonstrate compliance with finance related legal and contractual provisions, disclose thoroughness and detail sufficiency, and minimize ambiguities and potentials for misleading inference.
4. Financial systems will be maintained to monitor revenues, expenditures, and program performance on an ongoing basis.

## FINANCIAL SUMMARIES

This section provides financial summaries of the City's overall expenditure budget and revenues for the City's major funds. A five-year financial forecast is also included in this section.

### 2008/09 BUDGET SUMMARY

This is a summary of the projected revenues compared to the budgeted expenditures.

### SCHEDULE A & E

*Schedule A* reflects the summary schedule of estimated revenues and expenditures for the total budget.

*Schedule E* reflects the summary of each department and fund expenditure budget.

### GENERAL FUND REVENUES

This is a summary of major sources of revenues in the General Fund. The table shows that local sales and bed taxes represent approximately 52% of the estimated revenues and state shared revenues represent 24% of the estimated revenues.

### STREET FUND REVENUES

This is a summary of major sources of revenues in the Streets Fund. The Streets Fund is restricted to expenditures for road and right-of-way improvements.

### DEVELOPMENT IMPACT FEES

This is a summary of major sources of revenues in the Development Impact Fees Fund. Development Impact Fees are collected for storm drainage, public facilities, parks, law enforcement and streets & signals.

### CAPITAL IMPROVEMENT REVENUES

This is a summary of major sources of revenues in the Capital Improvement Fund. Local sales taxes comprise the major source of revenue for this Fund.

### ENTERPRISE FUND REVENUES

This is a summary of major sources of revenues in the Wastewater Fund. The primary sources of revenue are local sales taxes, user fees and capacity fees.

FY 2008-2009 BUDGET SUMMARY

	Tax Revenue	Licenses/ Permits	Grants/IGA's/ Donations	Service Charges	"Other" Revenue	FY2008-09 Collections	BOND Monies	Reserves	Interfund Transfers		Un appropriated	Budgeted Expenses
									IN	OUT		
CITY COUNCIL				0	0	0						102,490
CITY MANAGER				0	0	0						464,547
HUMAN RESOURCES				0	0	0			130,000			1,792,895
FINANCIAL SERVICES				0	0	0						206,620
INFORMATION TECHNOLOGY				6,726	0	6,726						495,868
LEGAL				0	0	0						480,773
CITY CLERK		38,883		264	0	39,147						233,117
PARKS & RECREATION				23,629	2,730	26,359						788,617
GENERAL SERVICES				85	459,583	459,668			75,000	(114,391)		3,126,760
COMMUNITY DEVELOPMENT		174,462		65,332	0	239,794				(15,600)		1,664,561
PUBLIC WORKS				3,605	0	3,605						471,771
ARTS & CULTURE				0	0	0						286,744
POLICE DEPARTMENT				31,384	0	31,384				(25,000)		2,778,514
MUNICIPAL COURT				353,163	13,039	366,202						350,377
<b>GENERAL FUND TOTALS:</b>	<b>10,034,684</b>	<b>213,345</b>	<b>0</b>	<b>484,188</b>	<b>475,352</b>	<b>11,207,569</b>	<b>0</b>	<b>1,986,074</b>	<b>205,000</b>	<b>(154,991)</b>	<b>0</b>	<b>13,243,652</b>
STREETS FUND	1,042,832				96,605	1,139,437		834,564				1,974,001
EMPLOYEE INS. TRUST FUND					0	0		130,000		(130,000)		0
GRANT FUND			1,539,517		0	1,539,517			40,600			1,580,117
P.A.N.T. FUND			670,871			670,871						670,871
ARTS FUND					3,000	3,000			50,000		(3,000)	50,000
DEVELOPMENT IMPACT FEES FUND		379,312			78,957	458,269		145,731		(604,000)		0
L.T. CAPITAL FUND						0			487,797			487,797
CAPITAL IMPROVEMENT FUND	1,964,037		2,100,000		280,500	4,344,537	5,654,000	1,273,681	1,148,391	(537,797)		11,882,811
SPECIAL IMPROVEMENT DISTRICT				247,750	15,000	262,750		5,625				268,375
COMMUNITY FACILITY FUND-SUMMIT		87,030			20,190	107,220		167,099		(215,000)		59,319
COMMUNITY FACILITY FUND-FAIRFIELD		203,757			31,422	235,179		63,576		(215,000)		83,755
WASTEWATER FUND	5,420,743	3,000		3,579,422	1,261,161	10,264,326	4,635,000	9,974,768		(75,000)		24,799,094
CARRUTH FUND					0	0						0
<b>ALL OTHER FUND TOTALS:</b>	<b>8,427,612</b>	<b>673,099</b>	<b>4,310,388</b>	<b>3,827,172</b>	<b>1,786,835</b>	<b>19,025,106</b>	<b>10,289,000</b>	<b>12,595,044</b>	<b>1,726,788</b>	<b>(1,776,797)</b>	<b>(3,000)</b>	<b>41,856,141</b>
<b>TOTAL ALL FUNDS:</b>	<b>18,462,296</b>	<b>886,444</b>	<b>4,310,388</b>	<b>4,311,360</b>	<b>2,262,187</b>	<b>30,232,675</b>	<b>10,289,000</b>	<b>14,581,118</b>	<b>1,931,788</b>	<b>(1,931,788)</b>	<b>(3,000)</b>	<b>55,099,793</b>

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\*\*\* Other Revenue:

P&R Facility Rental	1,730	Streets Fund - Interest Income	96,605
P&R Utility Reimbursement	0	Arts Fund - Interest	3,000
P&R Pool Rental	1,000	Development Impact Fees - Interest Income	78,957
General Services - Rental Income	0	Capital Fund - Interest Income	280,000
General Services - Interest Income	454,500	Capital Fund - Misc	500
General Services - NSF Charges	0	Special Improvement District - Interest Income	15,000
General Services - Misc	5,083	Wastewater Fund - Interest Income	1,140,000
General Services - Humane Society	0	Wastewater Fund - WIFA	121,161
Police Dept - Range Use	0	Carruth Fund - Interest Income	0
Police Dept - Restitution Payments	0	CFD (S) - Interest	20,190
Municipal Court - Recovery of Legal Fees	13,039	CFD (F) - Interest	31,422

➤ BOND Monies

- SR 179 Utility Underground
- Chapel Area - Storm Drainage Improvement
- Harmony/Windsong Drives Area Storm Drainage Improvements
- Chapel Area 1A Sewer Collection System Project
- Chapel Area Sewer Collection System Project

CITY/TOWN OF SEDONA  
 Summary Schedule of Estimated Revenues and Expenditures/Expenses  
 Fiscal Year 2009

FUND	ADOPTED BUDGETED EXPENDITURES/ EXPENSES* 2008	ACTUAL EXPENDITURES/ EXPENSES ** 2008	FUND BALANCE/ NET ASSETS*** July 1, 2008**	PROPERTY TAX REVENUES 2009	ESTIMATED REVENUES OTHER THAN PROPERTY TAXES 2009	OTHER FINANCING 2009		INTERFUND TRANSFERS 2009		TOTAL FINANCIAL RESOURCES AVAILABLE 2009	BUDGETED EXPENDITURES/ EXPENSES 2009
						SOURCES	<USES>	IN	<OUT>		
1. General Fund	\$ 12,557,451	\$ 11,343,554	\$ 1,986,074	\$	\$ 11,207,569	\$	\$	\$ 205,000	\$ 154,991	\$ 13,243,652	\$ 13,243,652
2. Special Revenue Funds	6,167,818	2,497,503	1,210,970		4,150,493			40,600	1,034,000	4,368,063	4,368,063
3. Debt Service Funds Available	262,750	262,734	5,625		262,750					268,375	268,375
4. Less: Designation for Future Debt Retirement											
5. Total Debt Service Funds	262,750	262,734	5,625		262,750					268,375	268,375
6. Capital Projects Funds	19,245,632	3,655,808	1,273,681		4,347,537	5,654,000	5,654,000	1,686,188	537,797	6,769,609	12,420,609
7. Permanent Funds											
8. Enterprise Funds Available	22,247,493	17,254,463	9,974,768		10,264,326	4,635,000	4,635,000		75,000	20,164,094	24,799,094
9. Less: Designation for Future Debt Retirement											
10. Total Enterprise Funds	22,247,493	17,254,463	9,974,768		10,264,326	4,635,000	4,635,000		75,000	20,164,094	24,799,094
11. Internal Service Funds	116,550		130,000						130,000		
12. TOTAL ALL FUNDS	\$ 60,597,694	\$ 35,014,062	\$ 14,581,118	\$	\$ 30,232,675	\$ 10,289,000	\$ 10,289,000	\$ 1,931,788	\$ 1,931,788	\$ 44,813,793	\$ 55,099,793

**EXPENDITURE LIMITATION COMPARISON**

1. Budgeted expenditures/expenses
2. Add/subtract: estimated net reconciling items
3. Budgeted expenditures/expenses adjusted for reconciling items
4. Less: estimated exclusions
5. Amount subject to the expenditure limitation
6. EEC or voter-approved alternative expenditure limitation

	2008	2009
1.	\$ 60,597,694	\$ 55,099,793
2.		
3.	60,597,694	55,099,793
4.		
5.	\$ 60,597,694	\$ 55,099,793
6.	\$	\$

The city/town does not levy property taxes and does not have special assessment districts for which property taxes are levied. Therefore, Schedule B has been omitted.

\* Includes Expenditure/Expense Adjustments Approved in current year from Schedule E.

\*\* Includes actual amounts as of the date the proposed budget was prepared, adjusted for estimated activity for the remainder of the fiscal year.

\*\*\* Amounts in this column represent Fund Balance/Net Asset amounts except for amounts invested in capital assets, net of related debt, and reserved/restricted amounts established as offsets to assets presented for informational purposes (i.e., prepaids, inventory, etc.).

**CITY/TOWN OF \_\_\_\_\_ SEDONA \_\_\_\_\_**  
**Summary by Department of Expenditures/Expenses Within Each Fund Type**  
**Fiscal Year 2009**

FUND/DEPARTMENT	ADOPTED BUDGETED EXPENDITURES/ EXPENSES 2008	EXPENDITURE/ EXPENSE ADJUSTMENTS APPROVED 2008	ACTUAL EXPENDITURES/ EXPENSES* 2008	BUDGETED EXPENDITURES/ EXPENSES 2009
<b>GENERAL FUND</b>				
City Council	\$ 95,999	\$ -	\$ 87,852	\$ 102,490
City Manager	426,116	30,328	438,569	464,547
Human Resources	1,733,313		1,623,721	1,792,895
Financial Services	198,339		193,178	206,620
Information Technology	455,751		384,871	495,868
Legal	387,178		389,621	480,773
City Clerk	421,948	(185,104)	210,332	233,117
Parks & Recreation	570,592	154,776	649,197	788,617
General Services	2,836,920		2,680,962	2,701,758
Contingency	315,000		-	425,000
Community Development	1,485,615		1,327,473	1,664,561
Public Works	335,178		321,074	471,771
Arts & Culture	282,617		281,244	286,744
Police Department	2,699,124		2,450,758	2,778,514
Municipal Court	313,761		304,702	350,377
<b>Total General Fund</b>	<b>\$ 12,557,451</b>	<b>\$ -</b>	<b>\$ 11,343,554</b>	<b>\$ 13,243,652</b>
<b>SPECIAL REVENUE FUNDS</b>				
Streets Fund	\$ 1,743,812	\$ -	\$ 1,477,707	\$ 1,974,001
Grants Fund	3,038,984		200,660	1,580,117
P.A.N.T. Fund (Partners Against Nar	594,301		563,217	670,871
Development Impact Fees Fund	633,000		123,019	-
Community Facilities District Fund	157,721		132,900	143,074
<b>Total Special Revenue Funds</b>	<b>\$ 6,167,818</b>	<b>\$ -</b>	<b>\$ 2,497,503</b>	<b>\$ 4,368,063</b>
<b>DEBT SERVICE FUNDS</b>				
Jordan Park Special Improvemen	\$ 262,750	\$ -	\$ 262,734	\$ 268,375
<b>Total Debt Service Funds</b>	<b>\$ 262,750</b>	<b>\$ -</b>	<b>\$ 262,734</b>	<b>\$ 268,375</b>
<b>CAPITAL PROJECTS FUNDS</b>				
Capital Improvement Fund	\$ 18,697,331	\$ -	\$ 3,229,872	\$ 11,882,812
Information Technology Capital Func	498,301		423,936	487,797
Art In Public Places Fund	50,000		2,000	50,000
<b>Total Capital Projects Funds</b>	<b>\$ 19,245,632</b>	<b>\$ -</b>	<b>\$ 3,655,808</b>	<b>\$ 12,420,609</b>
<b>PERMANENT FUNDS</b>				
	\$ -	\$ -	\$ -	\$ -
<b>Total Permanent Funds</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>ENTERPRISE FUNDS</b>				
Wastewater - Operations/Plant/Di	\$ 8,115,240	\$ -	\$ 8,748,824	\$ 9,708,668
Wastewater - Construction	14,132,253		8,505,639	15,090,426
<b>Total Enterprise Funds</b>	<b>\$ 22,247,493</b>	<b>\$ -</b>	<b>\$ 17,254,463</b>	<b>\$ 24,799,094</b>
<b>INTERNAL SERVICE FUNDS</b>				
Employee Insurance Trust Fund	\$ 115,000	\$ -	\$ -	\$ -
Carruth/Parks Trust Fund	1,550		-	-
<b>Total Internal Service Funds</b>	<b>\$ 116,550</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>
<b>TOTAL ALL FUNDS</b>	<b>\$ 60,597,694</b>	<b>\$ -</b>	<b>\$ 35,014,062</b>	<b>\$ 55,099,793</b>

\* Includes actual expenditures/expenses recognized on the modified accrual or accrual basis as of the date the proposed budget was prepared, plus estimated expenditures/expenses for the remainder of the fiscal year.

**GENERAL FUND** **REVENUES**

General Fund - Revenues - By Source

Revenue Sources:	2007-2008 Actual	2007-2008 Budget	2007-2008 Estimated	2008-2009 Budget
<b>Taxes:</b>				
Bed Tax	\$ 1,703,147	\$ 1,527,727	\$ 1,669,084	\$ 1,735,000
City Sales Tax	4,652,726	4,368,890	4,646,518	4,399,443
Franchises	640,753	627,049	669,917	690,015
<b>Intergovernmental:</b>				
State Income Tax	1,241,513	1,540,079	1,538,984	1,611,980
State Sales Tax	1,039,344	1,113,654	995,916	989,044
Motor Vehicle Tax	584,751	627,392	581,972	590,702
<b>Fines and Forfeitures:</b>				
Municipal Court	324,562	299,386	342,877	353,163
Police Department	-	50,000	3,300	25,000
Community Development	-	1,293	1,208	1,244
<b>Charges for Services:</b>				
Recreation Fees	28,046	31,325	23,196	23,629
Community Development	104,854	107,124	62,221	64,088
Police Department	8,444	12,091	6,198	6,384
IT Division	9,486	14,417	6,530	6,726
Other	928	8,492	83	349
<b>Licenses and Permits:</b>				
Business Registration	36,845	33,413	37,750	38,883
Community Development	192,785	456,294	169,381	174,462
Public Works	4,200	3,657	3,500	3,605
<b>Interest Earnings</b>	493,508	293,176	619,326	454,500
<b>Other Financing Sources:</b>				
Transfers In/Fund Balance	-	1,576,910	-	2,036,083
Miscellaneous	102,418	7,123	81,867	39,352
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 11,168,310</b>	<b>\$ 12,699,492</b>	<b>\$ 11,459,828</b>	<b>\$ 13,243,652</b>

<b>STREETS FUND</b>	<b>REVENUES</b>
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Streets Fund - Revenues and Other Sources

Revenue Sources:	2006-2007 Actual	2007-2008		2008-2009 Budget
		Budget	Estimated	
Taxes:				
HURF	\$ 1,106,300	\$ 978,013	\$ 1,048,055	\$ 993,272
LTAF	52,455	50,541	50,541	49,560
Interest Earnings	132,039	65,000	112,127	96,605
Other Financing Sources:				
Transfers In/Fund Balance	-	650,258	-	834,564
Miscellaneous	6,837	-	15,000	-
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 1,297,631</b>	<b>\$ 1,743,812</b>	<b>\$ 1,225,723</b>	<b>\$ 1,974,001</b>



<b>DEVELOPMENT IMPACT FEES</b>	<b>REVENUES</b>
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Development Impact Fees Fund - Revenues and Other Sources

<b>Revenue Sources:</b>	2006-2007	2007-2008		2008-2009
	Actual	Budget	Estimated	Budget
Building Permits:				
Storm Drainage	\$ 22,026	\$ 37,801	\$ 14,832	\$ 28,897
General/Public Facilities	10,961	15,966	25,773	15,294
Parks & Open Spaces	125,564	189,070	170,930	168,080
Law Enforcement	5,399	11,973	28,668	13,458
Streets & Signals	112,400	172,669	321,993	153,583
Interest Earnings	124,467	51,333	127,886	78,957
Other Financing Sources:				
Transfers In	-	174,188	-	145,731
Miscellaneous	6,404	-	-	-
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 407,221</b>	<b>\$ 653,000</b>	<b>\$ 690,082</b>	<b>\$ 604,000</b>

<b>CAPITAL IMPROVEMENT FUND</b>	<b>REVENUES</b>
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Capital Improvement Fund - Revenues and Other Sources

Revenue Sources:	2006-2007 Actual	2007-2008 Budget      Estimated		2008-2009 Budget
Taxes				
City Sales Tax [1/2%]	\$ 2,077,110	\$ 1,761,442	\$ 2,074,337	\$ 1,964,037
Debt / Financing	-	8,800,000	-	5,654,000
Interest Earnings	151,557	95,000	71,353	280,000
Other Financing Sources:				
Donations/Other Participation	25,000	7,785,000	-	2,000,000
Grants	-	-	-	100,000
Transfers In/Fund Balance	-	774,190	-	1,884,275
Miscellaneous	21,190	-	7,161	500
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 2,274,857</b>	<b>\$ 19,215,632</b>	<b>\$ 2,152,851</b>	<b>\$ 11,882,812</b>

<b>ENTERPRISE FUND</b>	<b>REVENUES</b>
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Wastewater Enterprise - Revenues and Other Sources

Revenue Sources:	2006-2007 Actual	2007-2008 Budget      Estimated		2008-2009 Budget
City Sales Tax	\$ 5,732,824	\$ 4,861,578	\$ 5,725,175	\$ 5,420,743
Fines and Forfeitures	17,495	74,004	8,818	3,000
User Fees/Service Charges	3,160,329	3,661,155	3,243,205	3,252,422
Capacity Fees & Permits	894,642	240,250	252,664	327,000
Sale of Land	-	-	-	-
Interest Earnings	1,418,402	968,000	1,314,412	1,140,000
Other Financing Sources:				
Transfers In/Fund Balance	-	10,561,345	-	9,899,768
Miscellaneous	78,160	121,161	-	121,161
Proceeds from Bonds	-	1,760,000	-	4,635,000
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 11,301,852</b>	<b>\$ 22,247,493</b>	<b>\$ 10,544,274</b>	<b>\$ 24,799,094</b>

<b>ARTS FUND</b>	<b>REVENUES</b>
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Arts Fund - Revenues and Other Sources

<b>Revenue Sources:</b>	2006-2007 Actual	2007-2008 Budget      Estimated		2008-2009 Budget
Transfer in from Capital:				
One Percent (1%) of Capital Projects	\$ 29,177	\$ 40,000	\$ 26,500	\$ 50,000
Art In Private Development	3,012	-	-	-
Miscellaneous	63	7,000	-	-
Interest Earnings	4,102	3,000	2,200	-
<b>Total Revenues/Other Financing Sources &amp; Appropriated Fund Balance</b>	<b>\$ 36,354</b>	<b>\$ 50,000</b>	<b>\$ 28,700</b>	<b>\$ 50,000</b>

## Long-Term Financial Plan

Key Assumptions:

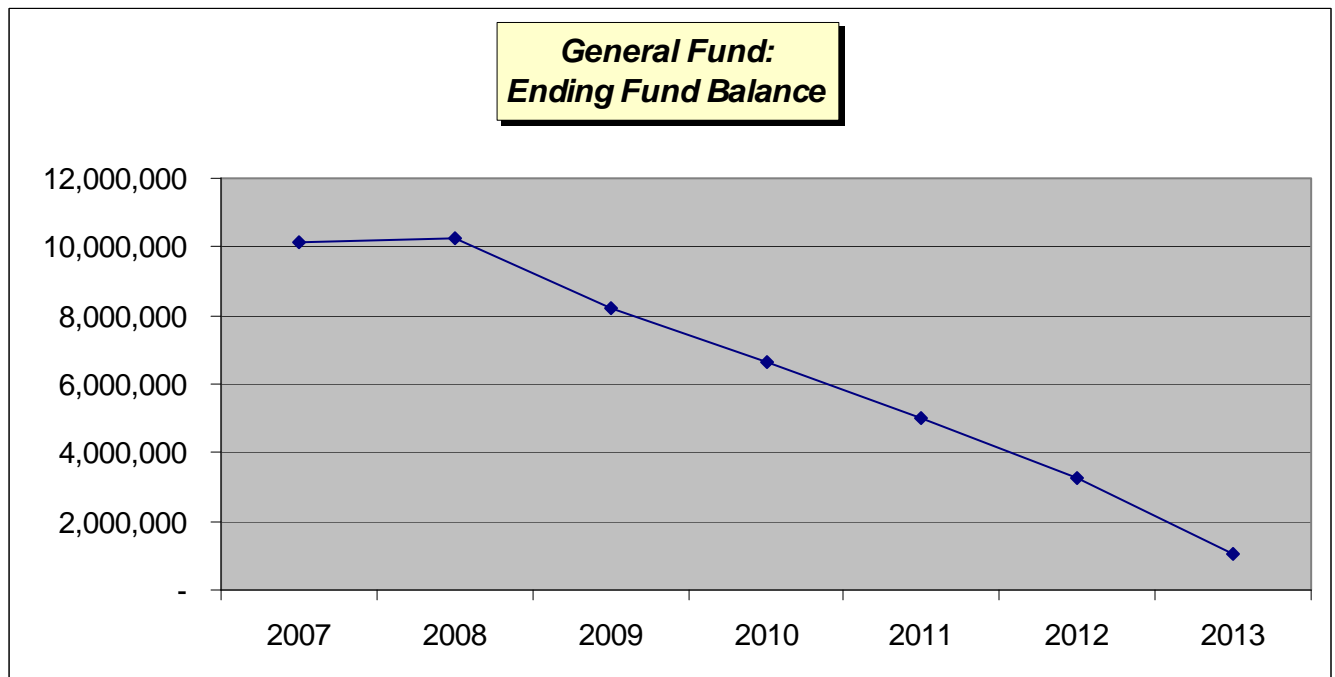
General Fund:

Revenues

- ❑ City Sales and Bed Tax projections have been decreased approximately 12% over last year’s receipts due to the construction on SR-179 and national economic concerns. At completion of construction, staff is projecting that the City Sales and Bed Tax will rebound with incremental increases projected for future years.
- ❑ Staff has projected State Shared revenues will not be eliminated in the near future.
- ❑ No new taxes or increased taxes assumed.
- ❑ Interest is based on 3% to 4% of the average projected balance of the reserves in each Fund.

Expenditures

- ❑ Assumes departments will add staff during the next five years for current services - notable increases are in Police, Community Development and Parks.
- ❑ Assumes City will participate in multiple planning efforts.
- ❑ Assumes potential increases in not-for-profit funding.
- ❑ Per year, assumes a 3% merit increase and 2% cost of living increase in salaries.



## Long-Term Financial Plan

Key Assumptions:

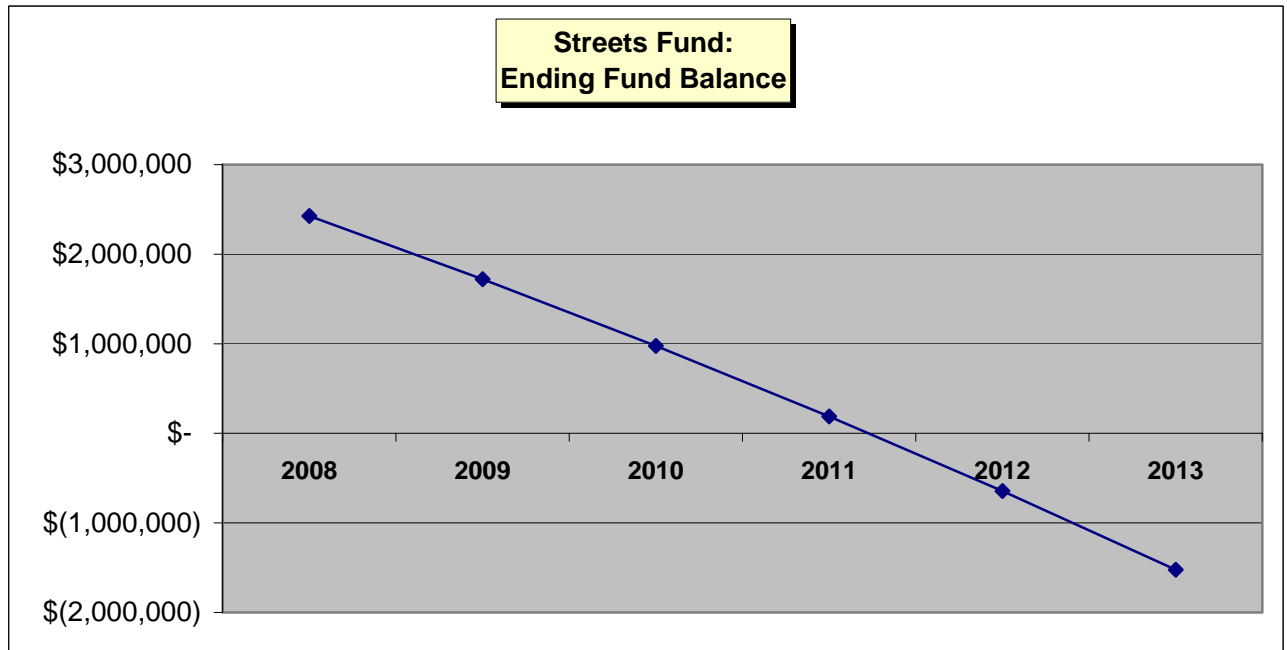
Streets Fund:

Revenues

- State Shared revenues (LTAF and HURF) will remain stable.
- HURF decreased slightly in FY 2008 and is expected to remain flat over the next few years.
- LTAF also decreased in FY 2008 and is projected to decrease up to 3% per year over the next 3 to 5 years.

Expenditures

- The City will continue to contract for the majority of street maintenance work through 2010, and continue to review the necessity of adding staff periodically for right-of-way maintenance purposes.
- Staff increased the anticipated scale for Street Maintenance programs over the next 5 years.



## Long-Term Financial Plan

Key Assumptions:

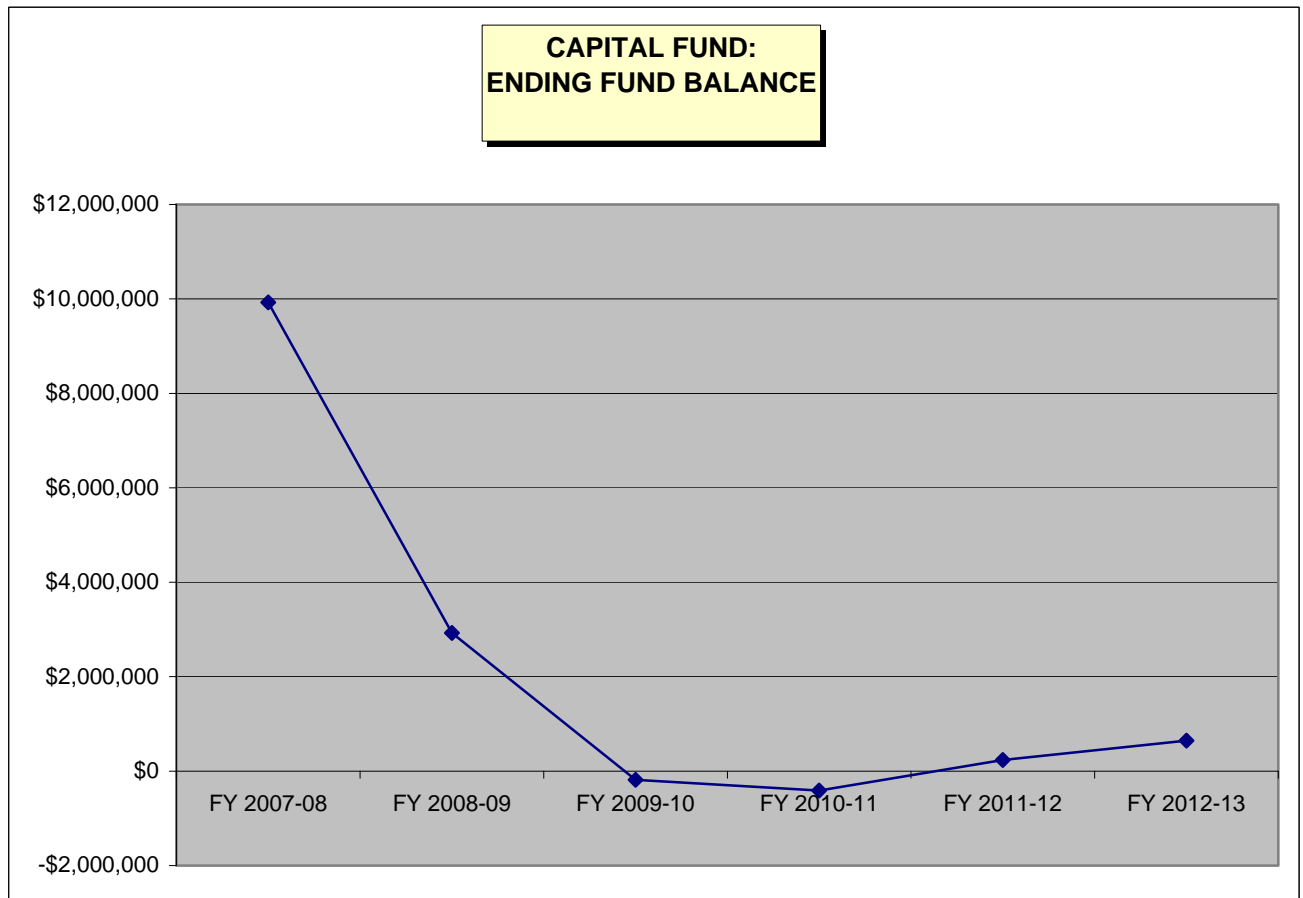
Capital Fund:

Revenues

- ❑ City Sales Tax projections - see General Fund.
- ❑ Staff is anticipating using other funding sources within the City to offset some project expenses. (i.e. CFD, DIF, Grants)
- ❑ Federal funding will be sought for long-term projects.
- ❑ Assistance from Arizona Department of Transportation (ADOT) will be used for State Route improvements.
- ❑ Interest is based on 3% to 4% of the average projected balance of the reserves in each Fund.

Expenditures

- ❑ All projects will be evaluated to determine need and funding levels.
- ❑ Appropriations for projects will be prioritized and matched with estimated revenues.
- ❑ Assumes City will participate in multiple planning efforts.



## Long-Term Financial Plan

Key Assumptions:

Enterprise Fund:

Revenues

- ❑ City Sales Tax projections - see General Fund.
- ❑ City Sales Tax (1-3/8%) and all capacity fees and other revenues relating to capacity fees will be used solely for Wastewater capital projects and debt service.
- ❑ Interest is based on 3% to 4% of the average projected balance of the reserves in each Fund.

Expenditures

- ❑ Use of reserves was planned for some major projects.
- ❑ Most of these projects will fall off after year 3.

