

AGENDA

8:30 A.M.

CITY OF SEDONA, CITY COUNCIL MEETING

THURSDAY, JANUARY 19, 2017

NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.

PROCEDURES:

- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
 1. Name and
 2. City of Residence
- Limit comments to **3 MINUTES.**
- Submit written comments to the City Clerk.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

2. ROLL CALL

3. SPECIAL BUSINESS

Discussion/possible direction on the following:

- a. Budget Process and FY 2017-2018 Calendar
- b. Economic Update
- c. Preliminary FY 2017-2018 Budget Assumptions
- d. Financial Forecasts
- e. Review FY 2017-2018 Council Priority List

4. ADJOURNMENT

Posted: _____

By: _____

Susan L. Irvine, CMC
City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The City Council Chambers are accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

THIS PAGE INTENTIONALLY LEFT BLANK.



City Manager's Office

Memo

Date: January 19, 2017

To: Mayor Sandy Moriarty and City Council

Thru: Justin Clifton, City Manager
Karen Osburn, Assistant City Manager

From: Cherie R. Wright, Director of Financial Services

CC: Department Heads

RE: City Council Priority Setting and Issue Areas for FY 2017-18 Budget Preparation

The first step in moving forward with the preparation of the fiscal year 2017-18 annual budget is to discuss the preliminary financial status for this current fiscal year (FY) 2016-17 and a forecast of the next ten fiscal years (2018-2027) for each of the City's major funds. The four major funds to be discussed in detail are:

- General Fund
- Streets Fund
- Capital Improvements Funds
- Wastewater Enterprise Fund

The ten-year financial forecasts, attached as Exhibits A–D, summarize projected revenues, expenditures and ending fund balances. In addition to projections for FYs 2018-2027, we have provided the FY 2016 Budget, the FY 2016 audited figures, and an estimate for FY 2017. The estimate for FY 2017 was prepared using the year-to-date fiscal year figures (July 1 – October 31). The future years (FYs 2018-2027) are forecasted off of the projected FY 2017 estimated revenues and expenditures and will be refined as we develop the final proposed budgets.

Please note, that many of the ongoing assumptions built into these ten-year projections are based on existing City policy and prior City Council direction. One of our goals during this retreat and the new budget season is to ensure that the financial plans and FY 2018 budgets are consistent with the Council's direction and ongoing assumptions. The assumptions are a starting point for building next year's budget. Here is a summary of the forecast assumptions:

Revenue Assumptions

- Overall – Economists have extended the estimate of the frequency of recessionary periods to approximately every 7 years. The ten-year forecasts

included a projected recessionary period in FYs 2019-2020. The recessionary period was projected as a moderate recession with the following assumptions:

- Moderate decrease in the first recessionary year
- No change in the second recessionary year
- Slightly higher increase in the first year out of the recessionary period
- Minor increases in other non-recessionary years
- Population:
 - Sedona – Assumed minor increases in the City’s population in non-recessionary years and no changes in population in recessionary years
 - Arizona – Used the Arizona Department of Administration projections
- Sales and Bed Taxes:
 - Started with historical information provided by the Chamber
 - Hotel/Bed & Breakfast (B&B) room base
 - Average annual occupancy rate
 - Estimated ratio of hotel/B&B nights to other overnight stays (e.g., timeshares, RV parking, etc.)
 - Estimated ratio of overnight stays to day trip visitors
 - Projected occupancy rates based on four-year average, except used lowest occupancy rate for periods projected as recessionary
 - Assumed no new hotels in the forecast period
 - Assumed 50 short-term rentals remitting taxes in 2017 and 50 additional remitting taxes in 2018
- State Shared Sales Tax and Urban Revenue Sharing – Projected change in the City’s share based on the assumption in the City’s and State’s population projections
- Wastewater Revenues – Used rate increases as projected in the 2014 Fee Study
- Assumed no increases in the following revenue categories:
 - Tax audits and collections
 - Business licenses
 - Other intergovernmental
 - In lieu fees
 - Wastewater penalties and interest
 - Capacity fees
 - Miscellaneous revenues

Expenditure Assumptions

- Wages – Assumed an average 2.5% merit increase and a 1.5% cost-of-living adjustment (COLA) in non-recessionary periods (0% in recessionary periods). Each 1% increase in salaries equates to approximately \$90,000 in wages and benefits.
- Benefits – Assumed an overall increase in all benefits of 7.5% each year. For FY 2018, most of the benefit rate changes are unknown at this time. We have received information on the following rate changes for FY 2018:
 - Arizona State Retirement System (ASRS) Rate – The rate will be increasing from 11.48% to 11.50%, an increase of less than one percent or approximately \$1,200. The ASRS retirement budget represents 20% of the total benefits category.

- Public Safety Personnel Retirement System (PSPRS) Rate – The rate will be increasing from 25.83% to 33.97%, an increase of 32% or approximately \$145,000. The PSPRS retirement budget represents 14% of the total benefits category.
- Estimated Vacancy Savings – Adjusted for assumed annual merit and COLA increases.
- Operations – Assumed 10% under budget for FY 2017 and adjusted based on COLA for remaining years.
- Community Contracts – Assumed increases based on the COLA, except the \$150,000 for the community grants.
- Streets Rehab and Pavement Preservation – Assumed 2% increase except 0% in recessionary periods.
- Destination Marketing – Based on 55% of the bed tax revenue project with the Visitor Center portion reflected in the community contracts.
- Debt Service – Based on debt retirement schedules.
- Assumed no increases in the following expenditure categories:
 - Operating capital – Primarily consists of the replacement of I.T. equipment and vehicles.
 - Contingencies
- Capital Improvement Projects – Included placeholders for CIP expenditures in the Capital Improvements Fund as \$5 million per year and the Wastewater Fund as \$2.5 million per year.

Fund Transfer Assumptions

- General Fund Subsidy to Streets Fund
 - Based on maintaining a reserve balance in the Streets Fund of 50% of budgeted expenditures (based on Council policy).
- General Fund Subsidy to Wastewater Fund
 - Based on subsidy levels proposed in the 2014 Fee Study as follows:
 - 25% for FY 2018 through FY 2019
 - 20% for FY 2020 through FY 2022
 - 15% for FY 2023 through FY 2026
- General Fund Transfer to Capital Improvements Fund
 - Entire balance exceeding required minimum reserves in the General Fund each year
- Capital Improvements Fund Transfer to Art in Public Places Fund
 - 1% of projected capital improvement expenditures

General Fund

The General Fund is the fund that supports the major day-to-day operations of the City. General Fund dollars can be used for any municipal purpose. Exhibit A provides the budget for FY 2016, the audited figures for FY 2016, and a forecast of the General Fund revenues and expenditures for FYs 2017 through 2027.

Based on the forecast assumptions, the General Fund will be under the minimum required reserves in FYs 2021, 2025, and 2026. In all other years, the General Fund is

projected to meet minimum required reserves with amounts ranging from \$127,750 to \$2.9 million to be transferred to the Capital Improvements Fund, with a total of \$6.6 million transferred over the next 10 years.

During the FY 2017 budget process, Council approved transferring the General Fund balance exceeding required minimum reserves to the Capital Improvements Fund. The Council policy requires an operating reserve in the General Fund of 50% to 75% of budgeted operating expenditures. If the transfer to the Capital Improvements Fund is based on the maximum operating reserve requirement of 75% of budgeted operating expenditures, the transfers over the next 10 years range from \$0 to \$1.4 million, with a total of \$4.0 million transferred over the next 10 years.

The Debt Service Reserve was set aside to cover the approximately \$500,000 increase in debt service costs in FYs 2018 and 2019 and approximately \$300,000 as a placeholder to plan for the ongoing increase in debt service levels to ensure the City does not commit ongoing revenues for future years in excess of future costs. The FY 2018 projections reflect the decrease in the Debt Service Reserve for the \$500,000 applied to that year's debt payments.

Streets Fund

The Streets Fund is presented in Exhibit B. This fund accounts for the Highway User Revenue Fund (HURF) revenues or gas taxes received from the state and spent on streets rehabilitation and pavement preservation.

Because of the increasing need for regular maintenance and the reduction in HURF revenue, the General Fund has subsidized this fund for a number of years. During the FY 2017 budget process, all streets-related costs, except streets rehabilitation and pavement preservation, were transferred to the General Fund. In addition, the expenditures in the Streets Fund were increased to cover an estimated 4.5 to 5 miles per year in order to maintain the condition of the City's streets.

Based on the forecast assumptions, the transfer required from the General Fund will range from \$288,544 to \$487,500, with a total of \$4.2 million transferred over the next 10 years.

Capital Improvements Fund

The Capital Improvements Fund supports and accounts for new infrastructure improvements not paid from other Capital Funds, which account for certain restricted revenue sources. The Capital Improvements Fund primarily relies on funding from the General Fund reserves and also includes Coconino and Yavapai County Flood Control monies and other non-grant outside revenue sources. To qualify as a Capital Improvement Program (CIP) project, the project must cost at least \$50,000 and have an estimated life of 3 years.

The City has been spending down its reserves to fund capital infrastructure projects. The City Manager's Office and the Financial Services Department are currently facilitating a citizen work group created to review long-term funding options for future

capital improvements. The Fiscal Sustainability Work Group has taken on the following tasks:

- Review long-range capital needs
 - Identify highest priorities
 - Establish target level of CIP projects to be addressed per year
- Review fund balance policy
 - Consider if changes should be made to required reserve requirements
- Identify possible funding sources and viability
- Identify possible debt financing options and viability
- Make recommendations to Council on funding options and any policy changes

Based on the forecast assumptions and no new funding sources currently identified, the Capital Improvements Fund is projected to have adequate reserves through FY 2020 in Exhibit C; however, the remaining years of the forecast reflect deficit fund balances.

Wastewater Fund

The Wastewater Fund is an enterprise fund, in which the user fees support the operations of the utility. The monthly wastewater fees are currently subsidized by 25% of the City's sales tax revenues.

Although this fund currently has a healthy available fund balance, most of the years in the forecast show a net loss. The Wastewater Utility's single largest expense is debt service, which in FY 2017 is \$5.2 million. There is a significant drop in debt cost in FY 2018 due to a savings realized through the refunding of bonds (lower overall interest rate), and all current debt will be paid off in FY 2026.

In 2013, the City hired an independent rate consultant to review the existing rate structure and to develop a financial plan for the Wastewater Fund. The outcome of that project was the rate changes and increases proposed and adopted by the Council in May 2014. The adopted proposal included an annual 4% increase to all the City's sewer rates through FY 2020 with a 3% increase in FYs 2021 through 2023.

Based on the forecast assumptions, Exhibit D shows decreases in the available fund balance until FY 2026 when the debt is paid off and the debt service reserve requirements are eliminated.

During the FY 2018 budget process, a more in-depth review of the Wastewater Fund will be made to analyze the extent of the need for the recommended rate increases and subsidies.

Other Funds

The following funds will not be addressed at this preliminary budget retreat. We will develop these budgets based on available funding as we move through the budget development process.

- Grants & Donations Funds
 - Budget amounts will be based on the awards and spending commitments not yet identified for FY 2018.
- Development Impact Fees Funds
 - Because the fees are collected by type of impact, expending the funds is limited to projects within that impact, and it can take time to build up sufficient funds for a specific project. In many cases, these funds will be used to supplement or pay for a smaller portion of a larger project. The budget amounts for FY 2018 will be identified in the CIP budgeting process.
- Arts in Public Places Fund
 - This relatively small fund receives most of its funding from a 1% charge to the City on the construction cost of its own capital projects. The proceeds are saved and used for projects such as Art in the Roundabouts and other public art displays. The budget amounts for FY 2018 will be identified in the CIP budgeting process.
- Community Facilities Districts (CFDs are separate legal entities)
 - A Community Facilities District (CFD) is a special taxing district formed to pay for major infrastructure improvements intended to benefit a certain geographical area. The City has two CFDs. The Fairfield and the Sedona Summit II were created in the late 1990s as part of the construction of the timeshare developments. The City Council is the designated Board for each of these CFDs, and City staff is designated to perform an analogous role for the District. The special tax is assessed to owners on the timeshare units. These revenues and expenditures are not reflected in the City's budget.
 - The City Council, sitting as the CFD Boards, separately adopted budgets for FY 2017 to pay for those infrastructure improvements which benefit the geographical areas of the Districts. The budget amounts for FY 2018 will be identified in the CIP budgeting process and presented in separate meetings to the CFD Boards.

Forecast Conclusions

From an operational perspective, the City's finances are stable. Although we have presented balanced projections for the next ten years, employment costs continue to increase at higher than inflationary levels, and increasing health insurance and pension costs, particularly those associated with the Public Safety Personnel Retirement System (PSPRS), are not unique to Sedona. While we will continue to look locally for solutions, other state and national entities face the same challenges and may find solutions that we may be able to borrow from.

The real challenge continues to be how to fund future infrastructure at an appropriate and safe level. Drainage, transportation, and park projects beyond what are included in the 2017-2022 CIP are simply not funded in the existing plans at the levels necessary or desired by our citizens and visitors.

Policy Considerations for City Council

The annual City Council Budget Retreat serves as an opportunity for elected officials and executive staff to discuss year-to-date financial condition, the ten-year financial forecasts, obvious budgetary issues that will impact the coming year(s), and City Council priority items that will have budgetary implications for FY 2018 specifically.

This session provides an opportunity for City Council to identify the highest priorities for the following year and provide direction to staff regarding which budgetary items should be brought back as decision-package requests during the upcoming budget process. At Council's direction, the highest priority items are likely to become part of the City Manager's recommended budget.

Because a review of City Council priorities was completed last month, it is anticipated that the budget retreat will only address any updates impacting FY 2018. However, should Council have additional priorities they would like to see pursued during the remainder of FY 2017 and for FY 2018, this would be an appropriate discussion for this budget retreat. This could include both budgetary and non-budgetary items.

Exhibit E provides the most recent status updates for the City Council priority list items. This document also provides estimated timelines for completion for most projects.

Staff has also identified various programs, projects, and other budgetary considerations for FY 2018. These types of discussion items would be above and beyond those normal annual cost increases such as employee retirement contributions, inflationary increases, or small wage adjustments. Some of these larger impact items are also outlined in this memo for further discussion during the retreat.

- a. **Further consideration of PSPRS unfunded liability** – The current unfunded liability for the Sedona Police Department is approximately \$4.4 million (up from \$3.4 million last year). This is anticipated to grow in coming years as additional personnel retire and, does not reflect the impact caused by the return of additional contributions and retroactive benefit increases as a result of the recent lawsuit, which found the 2011 legislative reforms that increased employee contribution rates and modest reductions to pension benefit increases were unconstitutional. As a result, the contribution rate for FY 2018 is increasing by 32%.

The City of Sedona has taken several small steps to mitigate the growth of the unfunded liability including paying all of the annual contributions for FY 2016 and FY 2017 upfront on July 1, and not electing to pay the “phased-in” rate in FY 2016, but rather the full rate increase for the last court decision which overturned the legislative change to the post-benefit increase (PBI) formula. The City may wish to consider applying some reserve funds to pay down the unfunded liability or increasing the annual contributions made to PSPRS. Annual PSPRS contributions are approximately \$600,000.

Estimated Cost: TBD

- b. **Electronic Plans Review** – This was identified as a Council priority for 2015 but required additional time for the Community Development and Information Technology Departments to research hardware and software options and put together the decision-package request. This item will be brought back during the FY 2018 budget process and will include funding to implement both an electronic permit application program and an electronic plans submittal.

Estimated Cost: \$200,000-\$300,000 one-time, \$20,000-\$30,000 ongoing

- c. **Transportation Master Plan** – Although the Transportation Study is not yet complete, some capital funding was included in the 2017-2022 CIP for implementation of smaller scope/lower cost items. Funding for larger scope/higher cost items has not been included. The ten-year forecast includes a placeholder of \$5 million per year for all non-Wastewater capital projects.

Estimated Cost: TBD

- d. **Destination Marketing Program** – The Council has had some preliminary discussions on reviewing the strategies for the Destination Marketing Program. The ten-year forecast does not reflect any changes to the current strategy.

Estimated Cost: TBD

- e. **Wastewater Master Plan** – The Wastewater Master Plan is not yet complete. The ten-year forecast includes a placeholder of \$2.5 million per year.

Estimated Cost: TBD

- f. **Renewing Community Service Contracts** – Several community service contracts are expiring this year and will need to be renewed for FY 2018. The ten-year forecast does not reflect any changes in service levels for these contracts. It is our understanding that there may be requests for additional funding associated with some of these contracts. The dollar amount of these potential requests is not yet known.

Estimated Cost: TBD

EXHIBIT A
City of Sedona
Long-Range Forecast
General Fund

Projected as Recessionary
Period

	FY16 Budget	FY16 Actuals	FY17 Budget	FY17 Estimated	FY18 Projected	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenues														
Taxes														
City Sales Tax	\$ 9,462,000	\$ 10,222,370	\$ 15,348,800	\$ 16,036,000	\$ 16,701,400	\$ 15,634,200	\$ 14,462,700	\$ 15,193,200	\$ 16,104,600	\$ 16,470,400	\$ 16,844,400	\$ 17,226,700	\$ 17,617,600	\$ 18,017,300
Bed Tax	2,580,000	3,010,334	3,172,200	3,366,400	3,521,800	3,258,500	2,984,900	3,161,400	3,371,300	3,438,700	3,507,500	3,577,700	3,649,200	3,722,200
Franchise Fees	772,000	781,223	816,060	816,100	828,300	803,500	803,500	815,600	827,800	840,200	852,800	865,600	878,600	891,800
Audits and Collections	105,000	279,692	177,870	177,900	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
State Shared Revenues														
State Sales Tax	958,000	948,696	979,400	979,400	986,900	873,300	858,800	878,800	886,200	893,500	901,700	909,900	918,100	926,300
Urban Revenue Sharing	1,207,731	1,207,731	1,273,001	1,273,000	1,256,300	1,111,800	1,093,200	1,118,800	1,128,100	1,137,500	1,147,900	1,158,300	1,168,800	1,179,200
Vehicle License Tax	594,500	577,681	620,300	620,300	629,600	610,700	610,700	619,900	629,200	638,600	648,200	657,900	667,800	677,800
Other Intergovernmental	-	73,853	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
In Lieu Fees	400,000	450,882	406,000	406,000	406,000	406,000	406,000	406,000	406,000	406,000	406,000	406,000	406,000	406,000
Licenses and Permits	343,900	496,517	448,525	448,500	466,200	454,800	454,800	460,300	465,900	471,600	477,400	483,200	489,200	495,200
Fines and Forfeitures	164,000	142,888	262,300	162,300	164,700	159,800	159,800	162,200	164,600	167,100	169,600	172,100	174,700	177,300
Charges for Services	54,850	105,008	108,950	109,000	181,700	176,200	176,200	178,800	181,500	184,200	187,000	189,800	192,600	195,500
Other Revenues	342,850	315,863	225,300	225,300	225,300	225,300	225,300	225,300	225,300	225,300	225,300	225,300	225,300	225,300
Contingent Revenues	-	-	550,000	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 16,984,831	\$ 18,612,738	\$ 24,408,706	\$ 24,640,200	\$ 25,488,200	\$ 23,834,100	\$ 22,355,900	\$ 23,340,300	\$ 24,510,500	\$ 24,993,100	\$ 25,487,800	\$ 25,992,500	\$ 26,507,900	\$ 27,033,900
Expenditures														
Salaries and Wages	6,313,190	6,150,678	7,268,240	6,818,200	7,090,900	7,268,200	7,449,900	7,747,900	8,057,800	8,380,100	8,715,300	9,063,900	9,426,500	9,803,600
Employee Benefits	2,820,896	2,515,231	2,860,110	2,860,100	3,074,600	3,305,200	3,553,100	3,819,600	4,106,100	4,414,100	4,745,200	5,101,100	5,483,700	5,895,000
Estimated Vacancy Savings	(225,000)	-	(475,000)	-	(494,000)	(506,400)	(519,100)	(539,900)	(561,500)	(584,000)	(607,400)	(631,700)	(657,000)	(683,300)
Operations	3,277,055	2,614,060	4,183,638	3,765,300	3,821,800	3,821,800	3,821,800	3,879,100	3,937,300	3,996,400	4,056,300	4,117,100	4,178,900	4,241,600
Community Contracts	1,304,107	1,288,097	1,524,539	1,524,500	1,545,100	1,545,100	1,545,100	1,566,000	1,587,200	1,608,800	1,630,700	1,652,900	1,675,400	1,698,300
Destination Marketing	1,262,100	1,336,234	1,339,319	1,455,900	1,535,500	1,396,600	1,246,100	1,337,200	1,452,700	1,489,800	1,527,600	1,566,200	1,605,500	1,645,700
Debt Service	803,057	776,401	707,366	707,400	1,427,500	1,400,600	1,031,500	1,029,300	1,031,800	1,029,000	1,020,900	1,027,500	1,028,700	1,024,500
Capital Outlay	292,415	226,661	520,864	468,800	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000	450,000
Contingency	208,915	-	900,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000	250,000
Total Expenditures	\$ 16,056,735	\$ 14,907,362	\$ 18,829,076	\$ 17,850,200	\$ 18,701,400	\$ 18,931,100	\$ 18,828,400	\$ 19,539,200	\$ 20,311,400	\$ 21,034,200	\$ 21,788,600	\$ 22,597,000	\$ 23,441,700	\$ 24,325,400
Other Financing Sources (Uses)														
Issuance of Refunding Bonds	9,300,000	8,030,000	-	-	-	-	-	-	-	-	-	-	-	-
Payment to Refunded Bond Escrow Agent	(9,300,000)	(7,934,739)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Streets Fund	(506,500)	(506,500)	(351,000)	(351,000)	(288,554)	(386,300)	(386,300)	(409,750)	(421,850)	(434,300)	(447,150)	(460,300)	(473,750)	(487,500)
Transfers to Grants & Donations Fund	(9,777)	(9,777)	-	-	-	-	-	-	-	-	-	-	-	-
Transfers to Wastewater Enterprise Fund	-	-	(3,881,668)	(4,053,500)	(4,200,400)	(3,933,600)	(2,912,500)	(3,058,600)	(3,240,900)	(2,485,600)	(2,541,700)	(2,599,000)	(2,657,600)	-
Transfers to Capital Improvements Fund	-	(6,884,446)	(8,569,787)	(1,757,782)	(2,896,751)	(954,800)	(395,500)	-	(127,750)	(676,200)	(329,100)	-	-	(1,225,450)
Total Other Financing Sources (Uses)	\$ (516,277)	\$ (7,305,462)	\$ (12,802,455)	\$ (6,162,282)	\$ (7,385,705)	\$ (5,274,700)	\$ (3,694,300)	\$ (3,468,350)	\$ (3,790,500)	\$ (3,596,100)	\$ (3,317,950)	\$ (3,059,300)	\$ (3,131,350)	\$ (1,712,950)
Net Revenues/Expenditures/Other Financing	\$ 411,819	\$ (3,600,086)	\$ (7,222,825)	\$ 627,718	\$ (598,905)	\$ (371,700)	\$ (166,800)	\$ 332,750	\$ 408,600	\$ 362,800	\$ 381,250	\$ 336,200	\$ (65,150)	\$ 995,550
Fund Balances														
Beginning Fund Balance		12,883,223		9,283,137	9,910,855	9,311,950	8,940,250	8,773,450	9,106,200	9,514,800	9,877,600	10,258,850	10,595,050	10,529,900
Ending Fund Balance		9,283,137		9,910,855	9,311,950	8,940,250	8,773,450	9,106,200	9,514,800	9,877,600	10,258,850	10,595,050	10,529,900	11,525,450
Fund Balance Reserves														
Operating Reserve - Minimum		7,698,137		8,610,855	8,511,950	8,640,250	8,773,450	9,129,950	9,514,800	9,877,600	10,258,850	10,659,750	11,081,500	11,525,450
Budget Carryovers		285,000		-	-	-	-	-	-	-	-	-	-	-
Debt Service Reserve		1,300,000		1,300,000	800,000	300,000	-	-	-	-	-	-	-	-
Total Fund Balance Reserves		9,283,137		9,910,855	9,311,950	8,940,250	8,773,450	9,129,950	9,514,800	9,877,600	10,258,850	10,659,750	11,081,500	11,525,450
Remaining Available Fund Balance	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (23,750)	\$ -	\$ -	\$ -	\$ (64,700)	\$ (551,600)	\$ -
Operating Reserve - Maximum				12,916,283	12,767,925	12,960,375	13,160,175	13,694,925	14,272,200	14,816,400	15,388,275	15,989,625	16,622,250	17,288,175
Available for Transfer to Capital Improvements Fund				-	423,583	933,650	392,325	-	-	593,450	313,925	-	-	1,360,400

EXHIBIT B
City of Sedona
Long-Range Forecast
Streets Fund

Projected as Recessionary
 Period

	FY16 Budget	FY16 Actuals	FY17 Budget	FY17 Estimated	FY18 Projected	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenues														
State Shared Revenues														
Highway User	\$ 782,238	\$ 897,406	\$ 799,000	\$ 799,000	\$ 811,000	\$ 786,700	\$ 786,700	\$ 798,500	\$ 810,500	\$ 822,700	\$ 835,000	\$ 847,500	\$ 860,200	\$ 873,100
Other Revenues	-	5,588	-	-	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 782,238	\$ 902,994	\$ 799,000	\$ 799,000	\$ 811,000	\$ 786,700	\$ 786,700	\$ 798,500	\$ 810,500	\$ 822,700	\$ 835,000	\$ 847,500	\$ 860,200	\$ 873,100
Expenditures														
Streets Rehab & Pavement Preservation	1,404,689	1,126,227	1,150,000	1,150,000	1,173,000	1,173,000	1,173,000	1,196,500	1,220,400	1,244,800	1,269,700	1,295,100	1,321,000	1,347,400
Total Expenditures	\$ 1,404,689	\$ 1,126,227	\$ 1,150,000	\$ 1,150,000	\$ 1,173,000	\$ 1,173,000	\$ 1,173,000	\$ 1,196,500	\$ 1,220,400	\$ 1,244,800	\$ 1,269,700	\$ 1,295,100	\$ 1,321,000	\$ 1,347,400
Other Financing Sources (Uses)														
Transfers from General Fund	506,500	506,500	351,000	351,000	288,554	386,300	386,300	409,750	421,850	434,300	447,150	460,300	473,750	487,500
Total Other Financing Sources (Uses)	\$ 506,500	\$ 506,500	\$ 351,000	\$ 351,000	\$ 288,554	\$ 386,300	\$ 386,300	\$ 409,750	\$ 421,850	\$ 434,300	\$ 447,150	\$ 460,300	\$ 473,750	\$ 487,500
Net Revenues/Expenditures/Other Financing	\$ (115,951)	\$ 283,267	\$ -	\$ -	\$ (73,446)	\$ -	\$ -	\$ 11,750	\$ 11,950	\$ 12,200	\$ 12,450	\$ 12,700	\$ 12,950	\$ 13,200
Fund Balances														
Beginning Fund Balance		376,679		659,946	659,946	586,500	586,500	586,500	598,250	610,200	622,400	634,850	647,550	660,500
Ending Fund Balance		659,946		659,946	586,500	586,500	586,500	598,250	610,200	622,400	634,850	647,550	660,500	673,700
Fund Balance Reserves														
Operating Reserve		659,946		575,000	586,500	586,500	586,500	598,250	610,200	622,400	634,850	647,550	660,500	673,700
Total Fund Balance Reserves		659,946		575,000	586,500	586,500	586,500	598,250	610,200	622,400	634,850	647,550	660,500	673,700
Remaining Available Fund Balance		\$ -		\$ 84,946	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

EXHIBIT C
City of Sedona
Long-Range Forecast
Capital Improvements Fund

	Projected as Recessionary Period													
	FY16	FY16	FY17	FY17	FY18	FY19	FY20	FY21	FY22	FY23	FY24	FY25	FY26	FY27
	Budget	Actuals	Budget	Estimated	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected	Projected
Revenues														
Intergovernmental	750,000	740,993	665,976	666,000	666,000	666,000	666,000	666,000	666,000	666,000	666,000	666,000	666,000	666,000
Other Revenues	826,667	262,740	300,000	300,000	-	-	-	-	-	-	-	-	-	-
Total Revenues	\$ 1,576,667	\$ 1,003,733	\$ 965,976	\$ 966,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000	\$ 666,000
Expenditures														
Capital Outlay	4,531,893	4,045,969	3,312,786	3,312,800	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000	5,000,000
Total Expenditures	\$ 4,531,893	\$ 4,045,969	\$ 3,312,786	\$ 3,312,800	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000	\$ 5,000,000
Other Financing Sources (Uses)														
Transfers to Art in Public Places Fund	(41,000)	(30,537)	(26,750)	(26,800)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)	(50,000)
Transfers from General Fund	-	6,884,446	8,569,787	1,757,782	2,896,751	954,800	395,500	-	127,750	676,200	329,100	-	-	1,225,450
Total Other Financing Sources (Uses)	\$ (41,000)	\$ 6,853,909	\$ 8,543,037	\$ 1,730,982	\$ 2,846,751	\$ 904,800	\$ 345,500	\$ (50,000)	\$ 77,750	\$ 626,200	\$ 279,100	\$ (50,000)	\$ (50,000)	\$ 1,175,450
Net Revenues/Expenditures/Other Financing	\$ (2,996,226)	\$ 3,811,673	\$ 6,196,227	\$ (615,818)	\$ (1,487,249)	\$ (3,429,200)	\$ (3,988,500)	\$ (4,384,000)	\$ (4,256,250)	\$ (3,707,800)	\$ (4,054,900)	\$ (4,384,000)	\$ (4,384,000)	\$ (3,158,550)
Beginning Fund Balance		8,015,570		11,827,243	11,211,425	9,724,176	6,294,976	2,306,476	(2,077,524)	(6,333,774)	(10,041,574)	(14,096,474)	(18,480,474)	(22,864,474)
Ending Fund Balance		\$ 11,827,243		\$ 11,211,425	\$ 9,724,176	\$ 6,294,976	\$ 2,306,476	\$ (2,077,524)	\$ (6,333,774)	\$ (10,041,574)	\$ (14,096,474)	\$ (18,480,474)	\$ (22,864,474)	\$ (26,023,024)

EXHIBIT D
City of Sedona
Long-Range Forecast
Wastewater Enterprise Fund

Projected as Recessionary
Period

	FY16 Budget	FY16 Actuals	FY17 Budget	FY17 Estimated	FY18 Projected	FY19 Projected	FY20 Projected	FY21 Projected	FY22 Projected	FY23 Projected	FY24 Projected	FY25 Projected	FY26 Projected	FY27 Projected
Revenues														
Charges for Services	5,930,600	5,611,150	5,880,844	5,880,800	6,116,000	6,360,600	6,615,000	6,813,500	7,017,900	7,228,400	7,228,400	7,228,400	7,228,400	7,228,400
Fines and Forfeitures	109,150	76,287	88,420	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400	88,400
Capacity Fees	275,000	541,045	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000	275,000
Other Revenues	159,600	300,759	159,600	159,600	159,600	159,600	159,600	159,600	159,600	159,600	159,600	159,600	159,600	159,600
Total Revenues	\$ 6,474,350	\$ 6,529,241	\$ 6,403,864	\$ 6,403,800	\$ 6,639,000	\$ 6,883,600	\$ 7,138,000	\$ 7,336,500	\$ 7,540,900	\$ 7,751,400	\$ 7,751,400	\$ 7,751,400	\$ 7,751,400	\$ 7,751,400
Expenditures														
Salaries and Wages	1,116,878	1,109,974	1,027,900	1,027,900	1,069,000	1,095,700	1,123,100	1,168,000	1,214,700	1,263,300	1,313,800	1,366,400	1,421,100	1,477,900
Employee Benefits	485,289	471,153	458,240	458,200	492,600	529,500	569,200	611,900	657,800	707,100	760,100	817,100	878,400	944,300
Estimated Vacancy Savings	(100,000)	-	(100,000)	-	(104,000)	(106,600)	(109,300)	(113,700)	(118,200)	(122,900)	(127,800)	(132,900)	(138,200)	(143,700)
Operations	2,301,222	1,933,389	2,432,429	2,189,200	2,222,000	2,222,000	2,222,000	2,255,300	2,289,100	2,323,400	2,358,300	2,393,700	2,429,600	2,466,000
Debt Service	5,413,325	5,412,246	5,151,325	5,151,300	4,400,700	4,429,800	4,687,800	4,687,800	4,687,800	4,687,800	4,687,800	4,482,800	4,483,100	-
Capital Outlay	8,166,618	5,440,705	3,034,750	3,034,800	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000	2,500,000
Contingency	75,940	-	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000	100,000
Total Expenditures	\$ 17,459,272	\$ 14,367,467	\$ 12,104,644	\$ 11,961,400	\$ 10,680,300	\$ 10,770,400	\$ 11,092,800	\$ 11,209,300	\$ 11,331,200	\$ 11,458,700	\$ 11,592,200	\$ 11,527,100	\$ 11,674,000	\$ 7,344,500
Other Financing Sources (Uses)														
City Sales Taxes	4,109,000	4,497,550	-	-	-	-	-	-	-	-	-	-	-	-
Transfers from General Fund	-	-	3,881,668	4,053,500	4,200,400	3,933,600	2,912,500	3,058,600	3,240,900	2,485,600	2,541,700	2,599,000	2,657,600	-
Total Other Financing Sources (Uses)	\$ 4,109,000	\$ 4,497,550	\$ 3,881,668	\$ 4,053,500	\$ 4,200,400	\$ 3,933,600	\$ 2,912,500	\$ 3,058,600	\$ 3,240,900	\$ 2,485,600	\$ 2,541,700	\$ 2,599,000	\$ 2,657,600	\$ -
Net Revenues/Expenditures/Other Financing	\$ (6,875,922)	\$ (3,340,676)	\$ (1,819,112)	\$ (1,504,100)	\$ 159,100	\$ 46,800	\$ (1,042,300)	\$ (814,200)	\$ (549,400)	\$ (1,221,700)	\$ (1,299,100)	\$ (1,176,700)	\$ (1,265,000)	\$ 406,900
Fund Balances														
Beginning Fund Balance		16,938,579		13,597,903	12,093,803	12,252,903	12,299,703	11,257,403	10,443,203	9,893,803	8,672,103	7,373,003	6,196,303	4,931,303
Ending Fund Balance		13,597,903		12,093,803	12,252,903	12,299,703	11,257,403	10,443,203	9,893,803	8,672,103	7,373,003	6,196,303	4,931,303	5,338,203
Fund Balance Reserves														
Operating Reserve		4,015,316		1,306,190	1,259,867	1,280,200	1,301,667	1,340,500	1,381,133	1,423,633	1,468,133	1,514,767	1,563,633	1,614,833
Debt Service Reserve		4,637,253		4,581,690	4,604,309	4,629,243	4,619,488	4,605,830	4,585,344	4,551,200	4,482,913	4,483,050	-	-
Total Fund Balance Reserves		8,652,569		5,887,880	5,864,176	5,909,443	5,921,155	5,946,330	5,966,477	5,974,833	5,951,046	5,997,817	1,563,633	1,614,833
Remaining Available Fund Balance		\$ 4,945,334		\$ 6,205,923	\$ 6,388,727	\$ 6,390,260	\$ 5,336,248	\$ 4,496,873	\$ 3,927,326	\$ 2,697,270	\$ 1,421,957	\$ 198,486	\$ 3,367,670	\$ 3,723,370

2017/2018 City Council Priorities

Priority Item	Estimated Timeframe	Status/Process
Complete Various Traffic Improvements	July 2017- June 2018	<p>Status:</p> <ul style="list-style-type: none"> • Consider any follow up studies that may be necessary • Design projects as needed • Construct project or implement new operational plans as needed <p><u>Public Involvement:</u> Extensive—community outreach, possible work groups, stakeholder participation, public hearings</p> <p><u>Council Meetings:</u> meetings throughout the year as needed</p> <p><u>Staff Workload:</u> CMO-extensive; Eng-extensive; Comm Dev-moderate; PD-minimal</p>
Soldiers Pass CFA Development	Spring 2017- Fall 2017	<p>Status:</p> <ul style="list-style-type: none"> • Pre application has been completed • Applicant has submitted conceptual application <p><u>Public Involvement:</u> Extensive—public notices, public hearings, stakeholder input</p> <p><u>P&Z Meetings:</u> numerous meetings for 4-10 months</p> <p><u>Council Meetings:</u> numerous meetings for 4-10 months</p> <p><u>Staff Workload:</u> Comm Dev—extensive; CMO—moderate</p>
Western Gateway CFA Development	Spring/ Summer 2017- Fall 2017	<p>Status:</p> <ul style="list-style-type: none"> • Applicant has indicated interest in pre application meetings <p><u>Public Involvement:</u> Extensive: public notices, public hearings, stakeholder input</p> <p><u>P&Z Meetings:</u> numerous meetings for 4-10 months</p> <p><u>Council Meetings:</u> numerous meetings for 4-10 months</p> <p><u>Staff Workload:</u> Comm Dev—extensive, CMO—moderate</p>
Schnebly Hill CFA Development	Summer/Fall 2017- Fall 2018	<p>Status:</p> <ul style="list-style-type: none"> • Historic District needs to be created • Applicants interested in pursuing development after CFA approval <p><u>Public Involvement:</u> Extensive—Public notices, public hearings, stakeholder participation,</p> <p><u>P&Z Meetings:</u> numerous for 4-10 months</p> <p><u>Council Meetings:</u> numerous for 4-10 months</p> <p><u>Staff Workload:</u> Comm Dev—extensive; CMO—moderate</p>

<p>Complete Dells Land Use Planning</p>	<p>Feb 2017- Dec 2017</p>	<p>Status:</p> <ul style="list-style-type: none"> • Report from citizen work group completed in Sep 2015 • Conduct review by Economic Development Director • Discuss with Council by February 2017 • Initiate public outreach by April 2017 <p><u>Public Involvement:</u> Extensive once introduced</p> <p><u>Council Meetings:</u> 1 to review report and consider next steps</p> <p><u>Staff Workload:</u> Extensive once introduced</p>
<p>Manage Impacts from Short Term Rentals</p>	<p>ONGOING</p>	<p>Status:</p> <ul style="list-style-type: none"> • Requests to inspect substandard housing are on the rise • Impacts may require additional policy considerations • Housing affordability may become a pressing issue <p><u>Public Involvement:</u> Extensive—stake holder input</p> <p><u>Council Meetings:</u> TBD 1-2 meetings for monitoring and/or emerging issues</p> <p><u>Staff Workload:</u> Comm Dev—extensive; Legal—moderate ; CMO—moderate</p>
<p>Revise City Sign Code</p>	<p>Oct 2015- July 2017</p>	<p>Status:</p> <ul style="list-style-type: none"> • Staff draft and review through May 2016 • Public Outreach: June 2016 – Oct 2016 • P&Z recommendation by March 2017 • Council approval by July 2017 <p><u>Public Involvement:</u> Extensive—possible work group, stakeholder participation, public hearings</p> <p><u>P&Z Meetings:</u> 2-3 from Jan 2017 – Feb 2017</p> <p><u>Council Meetings:</u> 2-3 meetings March 2017 – May 2017</p> <p><u>Staff Workload:</u> Comm Dev—extensive; CMO—minimal</p>

Parks Land Acquisition	ONGOING	<p>Status:</p> <ul style="list-style-type: none"> • Oak Creek access property to be considered as part of Schnebly Hill CFA • Look for other possible parks sites (focused on south Sedona) • Look for special event/ festival space • Must have firm possibilities identified by the end of FY18 to ensure purchase before Dec 31, 2020 <p><u>Public Involvement:</u> Extensive—especially depending on proposed use</p> <p><u>Council Meetings:</u> TBD</p> <p><u>Staff Workload:</u> CMO—minimal; Comm Dev—minimal; Parks—moderate</p>
Explore Financial Sustainability/ Long Term Revenue Options	Nov 2016- June 2018	<p>Status:</p> <ul style="list-style-type: none"> • Work group created as of Nov 2016 • Research, model, and analyze future needs from Dec 2016 – June 2017 • Pursuit of further refinement or new revenue sources June 2017 – June 2018 <p><u>Public Involvement:</u> Extensive—(if new revenue pursued) work group, stakeholder participation, public input</p> <p><u>Council Meetings:</u> 1-2 during FY18 budget, additional meetings if new revenue pursued</p> <p><u>Staff Workload:</u> Finance—extensive; CMO—extensive; All departments—moderate</p>
Construct Beautification of 89A	Fall 2015-ONGOING	<p>Status:</p> <ul style="list-style-type: none"> • Weed barrier complete by June 2016 • Scope of additional beautification reviewed in May 2016 • Design by Aug 2016 • ADOT Permitting (additional landscaping) by June 2017 • Possible new sites identified in FY18 budget <p><u>Public Involvement:</u> Minimal</p> <p><u>Council Meetings:</u> 1 to review scope by May 2016</p> <p><u>Staff Workload:</u> Engineering—moderate; Comm Dev—minimal;</p>

Alternative Expenditure Limitation	Jan 2018- Nov 2018	<p>Status:</p> <ul style="list-style-type: none"> • Start planning by Jan 2018 <p><u>Public Involvement:</u> Moderate for planning; Extensive for outreach</p> <p><u>Council Meetings:</u> 2-4 meetings to between March 2018-May 2018 to solidify ballot language</p> <p><u>Staff Workload:</u> Finance—extensive; CMO—extensive; Legal—moderate; City Clerk—moderate</p>
Land Development Code Update	Nov 2016- May 2018	<p>Status:</p> <ul style="list-style-type: none"> • Consultant hired in Nov 2016 • Limited update completed • Other select articles will be considered sequentially over 18 months <p><u>Public Involvement:</u> Extensive—possible work groups, public outreach, stakeholder input, public hearings</p> <p><u>P&Z Meetings:</u> 4-6 from Nov 2016 –May 2018</p> <p><u>Council Meetings:</u> 2-3 March 2018- May 2018</p> <p><u>Staff Workload:</u> Comm Dev—extensive; CMO—moderate; Legal—moderate</p>
Update the Building Code	Jan 2017- Dec 2017	<p>Status:</p> <ul style="list-style-type: none"> • City is operating with an outdated 2006 code • IGA with the state requires updating immediately <p><u>Public Involvement:</u> Extensive—stakeholder input</p> <p><u>Council Meetings:</u> 1-2 for adoption</p> <p><u>Staff Workload:</u> Comm Dev—extensive</p>
Sustainable Tourism		<p>Status:</p> <ul style="list-style-type: none"> • Coordinate major tourism related efforts including marketing, traffic, OHVs, helicopter noise, parking, trails and other related topics <p><u>Public Involvement:</u> Extensive—numerous work groups, public outreach, stakeholder input, public hearings</p> <p><u>Council Meetings:</u> Numerous for status updates and various topic specific decisions</p> <p><u>Staff Workload:</u> CMO—extensive; Comm Dev—extensive; PD—moderate</p>

Environmental Sustainability		<p>Status:</p> <ul style="list-style-type: none"> • Strategize ways to advance sustainability including possible energy efficiency, alternative energy, recycling services, water use, community education, • Possible coordination with sustainable tourism, existing sustainability groups, land development code and building code updates <p><u>Public Involvement:</u> Moderate—possible work group, stakeholder input</p> <p><u>Council Meetings:</u> Numerous depending on specific proposed actions/ initiatives</p> <p><u>Staff Workload:</u> Clerks Office—extensive CMO—moderate; Comm Dec—moderate;</p>
------------------------------	--	--

Other Projects/ Initiatives		
Major Plan Amendments		<p>Status:</p> <ul style="list-style-type: none"> • Pre-applications due in April • Formal applications due in June • P&Z review between Sep and Oct • Council Oct-Nov • 1 plan amendments
Other Major Development Projects		<p>Status:</p> <ul style="list-style-type: none"> • Residence Inn • Potentially other commercial projects
Performance Management		<p>Status:</p> <ul style="list-style-type: none"> • Extensive work needed to collect, analyze and report new data
CSA program		<p>Status:</p> <ul style="list-style-type: none"> • Program needs extensive review and revision to achieve program goals • Decision package likely • Possible need to expand program beyond Uptown
Uptown CFA		<p>Status:</p> <ul style="list-style-type: none"> • 3 CFAs consolidated in 1 planning effort
Affordable Housing		<p>Status:</p> <ul style="list-style-type: none"> • Certain actions recommended in the Community Plan • Impacts from 1350 uncertain • Numerous reports of escalating costs and workforce shortfalls

Brewer Road Park		Status: <ul style="list-style-type: none"> • Design complete • Phases and construction schedule TBD
Yavapai College		Status: <ul style="list-style-type: none"> • Concerns about the Sedona campus persist
Scenic Area Protection		Inactive as of 1-7-2016
Aesthetics of Street Signs		Inactive as of 1-7-2016
Arts Museum/Artist's Studios		Inactive as of 1-7-2016