

AGENDA

4:30 P.M.

CITY OF SEDONA, CITY COUNCIL MEETING

TUESDAY, JULY 11, 2017

NOTES:

- Public Forum:
Comments are generally limited to **3 minutes**.
- Consent Items:
Items listed under Consent Items have been distributed to Council Members in advance for study and will be enacted by one motion. Any member of the Council, staff or the public may remove an item from the Consent Items for discussion. Items removed from the Consent Items may be acted upon before proceeding to the next agenda item.
- 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/ROLL CALL

2. CITY'S VISION/MOMENT OF ART

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- Minutes - June 27, 2017 City Council Special Meeting. 
- Minutes - June 27, 2017 City Council Regular Meeting. 
- AB 2235 Approval of a resolution authorizing the execution of an Intergovernmental Agreement (IGA) between the City of Sedona and the Yavapai County Flood Control District (YCFCD) for contribution of approximately \$375,000 in drainage funds to be used for the Grasshopper Phase Drainage Project. 
- AB 2255 Approval of authorization for Mayor Moriarty to endorse a letter from Prescott Mayor Oberg to Governor Ducey urging further reforms to the Public Safety Personnel Retirement System (PSPRS). 
- AB 2260 Approval of an employment agreement between the City of Sedona and Robert Pickels, Jr. for the position of City Attorney. 

4. APPOINTMENTS - None



5. SUMMARY OF CURRENT EVENTS BY MAYOR/COUNCILORS/CITY MANAGER

6. PUBLIC FORUM

(This is the time for the public to comment on matters not listed on the agenda. The City Council may not discuss items that are not specifically identified on the agenda. Therefore, pursuant to A.R.S. § 38-431.01(H), action taken as a result of public comment will be limited to directing staff to study the matter, responding to any criticism, or scheduling the matter for further consideration and decision at a later date.)

7. PROCLAMATIONS, RECOGNITIONS & AWARDS - None

8. REGULAR BUSINESS

- AB 2254 **Discussion/possible action** regarding a FY18 service contract between the City of Sedona and the Sedona Public Library. 
- AB 2259 **Discussion/possible action** regarding the distribution of funding awards through the City's Small Grants Program for the 2018 fiscal year. 
- Reports/discussion** on Council assignments.
- Discussion/possible action** on future meeting/agenda items.

9. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- Return to open session. Discussion/possible action on executive session items.

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.

AGENDA

4:30 P.M.

CITY OF SEDONA, CITY COUNCIL MEETING

TUESDAY, JULY 11, 2017

Page 2, City Council Meeting Agenda Continued

10. 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. Members of the City Council will attend either in person or by telephone, video, or internet communications. 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 Council Chambers is 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.

**Action Minutes
Special City Council Meeting
Executive Session
Vultee Conference Room, Sedona City Hall,
106 Roadrunner Drive, Sedona, Arizona
Tuesday, June 27, 2017, 3:30 p.m.**

1. Call to Order

Mayor Moriarty called the meeting to order at 3:31 p.m.

2. Roll Call

Roll Call: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor John Currivan, Councilor Scott Jablow, Councilor Tom Lamkin, Councilor Jon Thompson, Councilor Joe Vernier.

Staff in attendance: City Attorney Robert Pickels, Jr., City Clerk Susan Irvine.

3. Executive Session

Motion: Vice Mayor Martinez moved to enter into Executive Session at 3:32 p.m. Seconded by Councilor Lamkin. **Vote:** Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. Discussion and consideration of a new employment agreement between the City of Sedona and Robert Pickels, Jr. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(1).
- b. Return to open session. Discussion/possible action on executive session items.

4. Adjournment

Mayor Moriarty adjourned the meeting at 3:40 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on June 27, 2017.

Susan L. Irvine, CMC, City Clerk

Date

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**Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, June 27, 2017, 4:30 p.m.**

1. Call to Order/Pledge of Allegiance/Moment of Silence/Roll Call

Mayor Moriarty called the meeting to order at 4:30 p.m.

Roll Call: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor John Currivan, Councilor Scott Jablow, Councilor Tom Lamkin, Councilor Jon Thompson, Councilor Joe Vernier.

Staff Present: City Manager Justin Clifton, Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Director of Public Works/City Engineer Andy Dickey, Lieutenant Jim Pott, Director of Community Development Audree Juhlin, Assistant Director of Community Development Warren Campbell, Chief Building Official Steve Mertes, Parks & Recreation Manager Rachel Murdoch, Recreation & Aquatics Supervisor Dawn Norman, City Clerk Susan Irvine.

2. City's Vision

A video of the City's vision was played.

3. Consent Items

- a. **Minutes - June 13, 2017 City Council Special Meeting.**
- b. **Minutes - June 13, 2017 City Council Regular Meeting.**
- c. **Minutes - June 14, 2017 City Council Special Meeting.**
- d. **AB 2239 Approval of FY18 service contracts with the Sedona Community Center, Sedona Recycles, and Verde Valley Caregivers.**
- e. **AB 2242 Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 9 Liquor Store Liquor License for Walgreens #4065 located at 1995 HWY 89A, Sedona, AZ (License #09130012).**
- f. **AB 2249 Approval of a recommendation regarding a new Series 10S Beer and Wine Store Liquor License application with Sampling Privileges for Sedona Divine Olive Oils, LLC located at 270 N State Route 89A, Suite 5, Sedona, AZ (License #10033232).**
- g. **AB 2251 Approval of purchase of a replacement 600 KW Caterpillar generator for the WWTP in the approximate amount of \$170,000 through the NJPA Cooperative Purchasing Contract.**

Item 3d was pulled at the request of Councilor Currivan.

Motion: Vice Mayor Martinez moved to approve consent items 3a, 3b, 3c, 3e, 3f, and 3g. **Seconded by Councilor Jablow. Vote:** Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Pulled Consent Items:

3d - AB 2239 Approval of FY18 service contracts with the Sedona Community Center, Sedona Recycles, and Verde Valley Caregivers.

Questions and comments from Council.

Motion: Councilor Currivan moved to approve item 3d with the corrections as noted by the City Attorney. Seconded by Councilor Thompson. Vote: Motion carried with six (6) in favor and one (1) opposed. Vice Mayor Martinez opposed.

4. Appointments – None.

5. Summary of Current Events by Mayor/Councilors/City Manager

Councilor Jablow stated that he attended a parking meter presentation last week and was surprised and pleased to see that people were coming up and asking where to pay. Vice Mayor Martinez advised of the following Parks & Recreation events: Wet Wednesdays every Wednesday in July at Sunset Park from 11:00 a.m. to 1:00 p.m.; Wet-fest on July 4th from 7:00 a.m. to 1:00 p.m. at Posse Grounds Park with a hot dog eating contest, water rides, and more; the Air National Guard Band of the Southwest will perform at Barbara's Park Pavilion at 6:00 p.m. on June 28th; and the Mayor's Arts Awards at Mary D Fisher Theatre on June 29th. Councilor Lamkin challenged Vice Mayor Martinez in the July 4th hot dog eating contest. Councilor Vernier stated that there will be a K-9 and Cocktails event on June 29th from 6:00 to 9:00 p.m. at Tlaquepaque to raise funds for a Sedona K-9 statue. Justin Clifton introduced the following new staff members: Chief Building Official Steve Mertes and Recreation & Aquatics Supervisor Dawn Norman.

6. Public Forum

7. Proclamations, Recognitions, and Awards – None.

8. Regular Business

a. AB 2234 Discussion/possible action regarding a Development Agreement and Reciprocal Easement Agreement between the City of Sedona, the Sedona Chamber of Commerce and Tourism Bureau, and the Sedona Jazz Collective, LLC for the construction of pedestrian access improvements and an ADA walkway at the northwest corner of Forest Road and Hwy 89A in Uptown.

Presentation by Karen Osburn, Andy Dickey, and Sedona Jazz Collective representatives Mike Wise and Joel Bowers.

Questions and comments from Council.

Opened to the public at 5:12 p.m.

The following spoke on this item: Donna Retegan, Sedona, Director of Services for the Sedona Chamber Uptown Visitor Center.

Brought back to Council at 5:16 p.m.

Further questions and comments from Council.

Motion: Councilor Thompson moved to approve the Development Agreement between the City of Sedona, the Sedona Chamber of Commerce and Tourism Bureau, and the Sedona Jazz Collective, LLC, for cost sharing right-of-way improvements for the construction of pedestrian access improvements and an ADA walkway at the northwest corner of Forest Road and Hwy 89A in Uptown, for the amount of \$50,000, subject to approval of the final Agreement by the City

Attorney. Seconded by Vice Mayor Martinez. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Motion: Councilor Thompson moved to approve the Reciprocal Easement Agreement between the City of Sedona, the Sedona Chamber of Commerce and Tourism Bureau, and the Sedona Jazz Collective, LLC, subject to approval of the final Agreement by the City Attorney. Seconded by Vice Mayor Martinez. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

- b. AB 2243 Discussion/possible direction regarding the City of Sedona's continued involvement in holiday decorating and events in the month of December.**

Presentation by Rachel Murdoch and Jennifer Wesselhoff, President and CEO of the Sedona Chamber of Commerce and Tourism Bureau.

Questions and comments from Council.

By majority consensus, Council directed staff to move forward with the ideas as presented including the light show.

- c. AB 2248 Discussion/possible action regarding a resolution and ordinance amending the Sedona City Code, Chapter 10.20 (Parking) and repealing Chapter 10.30.**

Presentation by Robert Pickels, Jr.

Questions and comments from Council.

Motion: Councilor Thompson moved to approve Resolution No. 2017-15, a Resolution of the Mayor and Council of the City of Sedona, Arizona, establishing as a public record the terms of proposed amendments to the City Code Chapter 10.20 (Parking) and repealing Chapter 10.30 subject to the revisions as discussed. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Motion: Councilor Thompson moved to adopt Ordinance No. 2017-04, an Ordinance of the City of Sedona, Arizona, amending the City Code Chapter 10.20 (Parking); repealing Chapter 10.30; providing for a savings clause; providing for repeal of any Ordinance or parts of Ordinances or Code provisions in conflict herewith; and providing for an emergency measure. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

- d. AB 2233 Discussion/possible action regarding a resolution adopting a demand-based rate structure for on-street paid parking on Main Street in Uptown.**

Presentation by Karen Osburn, Justin Clifton, and Lieutenant Pott.

Questions and comments from Council.

Motion: Councilor Jablow moved to approve Resolution No. 2017-16, a resolution of the Mayor and Council of the City of Sedona, Arizona, establishing a demand-based rate structure for on-street paid parking on Main Street in Uptown.

Seconded by Vice Mayor Martinez. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

e. Reports/discussion on Council assignments

Councilor Jablow stated that he attended his first meeting as a member of the transportation infrastructure public works committee. They are pursuing a streetlight improvement district in Buckeye and exploring legislation for alternative transportation funding through increases in registration fees and more frequent driver's license renewals. He attended the Airport Board meeting yesterday, and they are making changes that will allow 3 to 4 cars to pull into lot before they pay, are increasing parking spaces by 20, and will allow for bus parking for the day for 10 buses. There have been complaints about helicopter noise and low flights, and an RFP was awarded to a new helicopter company, Guidance Air, which will also fly fixed wing and biplanes. Councilor Vernier attended the Library Board meeting last Tuesday, and they spoke positively about interactions with the City on their budget issues. The Arizona Attorney General's Office will host a satellite office at library every third Monday to give information in consumer fraud, ID theft, and civil rights. Councilor Thompson attended a NACOG meeting last week, and there is concern about future funding from the federal government for CDBG grants. He also learned that ADOT is sitting on excess cash and will be putting it up for funding opportunities in the fall, and they are dedicating funds toward maintenance instead of expansion. An RFQ will be issued next month for elder care services involving meal provisions. Vice Mayor Martinez stated that the Verde Valley Coalition Against Human Trafficking has changed their name to the Coalition Against Human Trafficking-Northern Arizona and extending their outreach throughout northern Arizona. They are now a 501C3 corporation with a website and are accepting donations.

f. Discussion/possible action on future meeting/agenda items – None.

9. Executive Session

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).**
- b. Return to open session. Discussion/possible action on executive session items.**

No Executive Session was held.

10. Adjournment

Mayor Moriarty adjourned the meeting at 6:37 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on June 27, 2017.

Susan L. Irvine, CMC, City Clerk

Date



**CITY COUNCIL
AGENDA BILL**

**AB 2235
July 11, 2017
Consent Items**

Agenda Item: 3c
Proposed Action & Subject: Approval of a resolution authorizing the execution of an Intergovernmental Agreement (IGA) between the City of Sedona and the Yavapai County Flood Control District (YCFCD) for contribution of approximately \$375,000 in drainage funds to be used for the Grasshopper Phase Drainage Project.

Department	Public Works
Time to Present	N/A
Total Time for Item	
Other Council Meetings	October 14, 2014 (Design Contract) July 12, 2016 (Previous IGA)
Exhibits:	A. Map of the Grasshopper Phase Drainage Project B. Proposed Resolution authorizing the new IGA C. Proposed IGA

City Attorney Approval	Reviewed 7/3/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a resolution and IGA with YCFCD for flood control funding.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

The City continues to make flood control improvements a priority. A portion of tax money collected by the Yavapai County Flood Control District (YCFCD) and allocated for flood control is distributed to the City for flood control related projects. The City successfully leverages County flood control funds to complete flood control improvement projects. During FY 2017-2018, the County funds will cover 30 percent of the Grasshopper Phase Drainage Project.

Background: Since the mid 1990's, the YCFCD has provided the City funds for flood control studies and projects located in the Yavapai County portion of the City on an annual basis, as requested.

Consideration:

- Ø The amount of funding contributed by the YCFCD is based on specific drainage projects requested for funding by the City. Yavapai County distributes funding at the discretion of the County Board of Supervisors. Over the past three years, the YCFCD has collected an average of approximately \$366,000 per year in secondary property tax from the Yavapai County portion of Sedona. The YCFCD keeps a portion of the taxes collected for floodplain management activities, overhead, general countywide studies, District projects, etc.
- Ø In order for the City to accept the funds and agree to the terms and conditions for their use, an Intergovernmental Agreement (IGA) is needed.
- Ø The IGA details each party's responsibilities related to the use of the funding, including the amount of the funding, fiscal year restrictions for its use, and the necessity for projects to be located within Yavapai County for flood mitigation meeting FEMA regulations.
- Ø The resolution and IGA for City Council consideration provides the mechanism for the City to be reimbursed \$375,000 by the YCFCD for a portion of the Grasshopper Phase Drainage Project construction in FY 2017-2018.

FY 2017-2018 Project:

- Ø The Grasshopper Phase Drainage Project is the third phase of the Coffee Pot Drainage Basin Improvements Project, and will begin where the Coffee Pot Crossing Drainage Project ended.
- Ø The Coffee Pot Crossing Drainage Project (second phase) was completed in FY 2016-2017.
- Ø The Casa Bonita Drainage Project (first phase) was completed in FY 2015-2016.
- Ø The project under this IGA will continue west on Grasshopper Lane approximately 280 feet and then head north on Grasshopper Lane up to Sanborn Drive.
- Ø The design for the project is currently 100% complete, and construction is expected to begin in October 2017.
- Ø The construction is budgeted in FY 2017-2018 in the amount of \$1,270,000. This budgeted amount assumed the use of \$325,000 in drainage funds from YCFCD, with the City's expense being \$945,000. The YCFCD funding is now expected to be \$375,000, with the remaining budget need at \$895,000.
- Ø City staff had applied for grant funding with AZDEMA, which if awarded, would have offset as much as \$717,510 of the city's cost. However, we were notified recently that AZDEMA is diverting funding for fire suppression and mitigation.
- Ø The remaining upstream project will be the Little Elf Phase (final Project phase).

The Yavapai County Board of Supervisors, acting as the Board of Directors for the YCFCD, is scheduled to tentatively approve their budget on July 5, 2017. The YCFCD has requested that the IGA be approved by Sedona City Council prior to Yavapai County's final approval at their July 19, 2017 meeting.

Community Plan Compliant: Yes - No - Not Applicable

Chapter 5 of the Community Plan addresses the Environment. One of the five major goals of this chapter is to reduce the impacts of flooding and erosion on the community and environment. Key issues cited here include addressing the negative impacts of flooding

which has resulted in property damage and other impacts, including negative impacts on habitat and the water quality of Oak Creek. Page 76 of the Community Plan provides a dedicated discussion of the importance of stormwater management and the prioritization of drainage improvements.

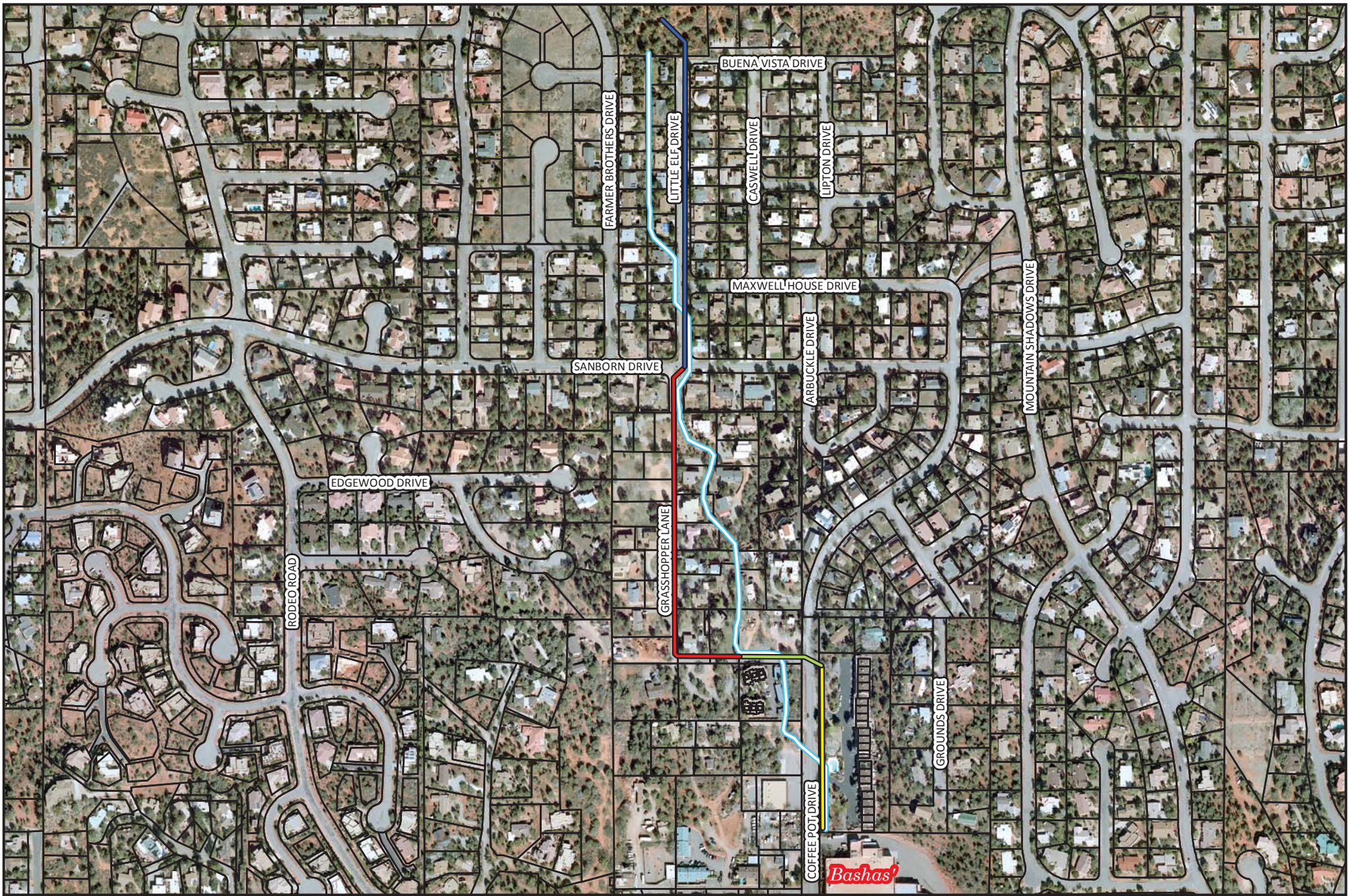
Board/Commission Recommendation: **Applicable** - **Not Applicable**

Alternative(s): If the funds are not received, it will be necessary to use additional General Fund dollars for construction of the project, which has the potential to delay other CIP projects.

MOTION

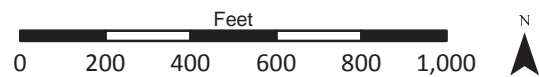
I move to: approve Resolution No. 2017-____ authorizing the execution of an IGA between the City of Sedona and the Yavapai County Flood Control District for contribution of approximately \$375,000 in drainage funds to be used for the Grasshopper Phase Drainage Project.

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**PROJECT LOCATION MAP:
COFFEE POT DRAINAGE BASIN
IMPROVEMENTS PROJECT**

- Casa Bonita Phase (1st phase - COMPLETED)
- Coffee Pot Crossing Phase (2nd phase - COMPLETED)
- Grasshopper Phase (3rd phase)
- Little Elf Phase (4th phase)
- Historic Drainage



This map is designed to provide as-is information only. The data is not accurate to engineering or surveying standards. The City of Sedona is not liable or responsible for loss or damages rising from the data contained on this map. **Page 13**

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RESOLUTION NO. 2017-__

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, APPROVING AN INTERGOVERNMENTAL AGREEMENT WITH THE YAVAPAI COUNTY FLOOD CONTROL DISTRICT TO PROVIDE FUNDS TO THE CITY IN THE APPROXIMATE AMOUNT OF THREE HUNDRED SEVENTY- FIVE THOUSAND DOLLARS (\$375,000) TO BE USED BY THE CITY TO FUND THE GRASSHOPPER PHASE DRAINAGE PROJECT; AND PROVIDING AUTHORIZATION FOR THE MAYOR TO EXECUTE SAID AGREEMENT.

WHEREAS, the City of Sedona ("City") and the Yavapai County Flood Control District ("District") have reached an intergovernmental agreement concerning the distribution of a portion of *ad valorem* taxes paid by City residents for flood control projects, including storm water control; and

WHEREAS, the District is authorized to expend funds for flood control projects pursuant to A.R.S. § 48-3603.C.7 and reimburse municipalities for such work, and has approved and budgeted such funds for the City in the approximate amount of \$375,000 for fiscal year 2017-2018, to be used by the City to fund the Grasshopper Phase Drainage Project within the Yavapai County portion of the City; and

WHEREAS, the City is authorized by A.R.S. § 9-240.B.5 to perform this work, and the District may enter into an appropriate intergovernmental agreement under A.R.S. § 48-3603.C.9; and

WHEREAS, the City has reviewed the terms of the intergovernmental agreement and determined that it is in the proper form required by A.R.S. § 11-952.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF SEDONA, ARIZONA THAT:

The City of Sedona, through its Mayor and Council, hereby approves the Intergovernmental Agreement with the Yavapai County Flood Control District to provide funds in the approximate amount of three hundred seventy-five thousand dollars (\$375,000) for the Grasshopper Phase Drainage Project, and the Mayor is authorized to execute said Agreement on behalf of the City.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 11th day of July, 2017.

Sandra J. Moriarty, Mayor

ATTEST:

APPROVED AS TO FORM:

Susan L. Irvine, City Clerk

Robert L. Pickels, Jr. City Attorney

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INTERGOVERNMENTAL AGREEMENT

BETWEEN
THE YAVAPAI COUNTY FLOOD CONTROL DISTRICT AND THE CITY OF SEDONA
FOR THE FISCAL YEAR 2017-2018 FINANCIAL CONTRIBUTION
FROM THE DISTRICT TO THE CITY FOR FLOOD CONTROL
IMPROVEMENTS

THIS INTERGOVERNMENTAL AGREEMENT BY AND BETWEEN THE YAVAPAI COUNTY FLOOD CONTROL DISTRICT AND THE CITY OF SEDONA, FOR THE FISCAL YEAR 2017-2018 FINANCIAL CONTRIBUTION TO THE CITY FOR FLOOD CONTROL IMPROVEMENTS (the "Agreement") is entered into, effective this 19th day of July, 2017, between the Yavapai County Flood Control District, a political subdivision of the State of Arizona (the "DISTRICT"), and the City of Sedona, Arizona, a municipal corporation of the State of Arizona (the "CITY"). The District and the City are sometimes collectively referred to as the "Parties" or individually as the "Party."

RECITALS

WHEREAS:

- A. The DISTRICT is a special taxing district legally created in the State of Arizona and organized by Yavapai County to include and govern its jurisdiction.
- B. The DISTRICT administers the Federal Emergency Management Agency ("FEMA") Regulations under the National Flood Insurance Program.
- C. The Yavapai County Board of Supervisors is the Board of Directors of the DISTRICT.
- D. A portion of the CITY lies within the legal boundaries of the DISTRICT.
- E. The DISTRICT, the CITY, and the County are separate and distinct political subdivisions, but each can provide for the benefit of the other(s), for the benefit of public health, safety, and welfare, and other public purposes.
- F. The DISTRICT and the CITY have authority to enter into Intergovernmental Agreements pursuant to Arizona Revised Statutes ("A.R.S.") §§11-952, 48-3603, and 9-240, and CITY's Code.
- G. Among other things, the DISTRICT receives tax proceeds as general funding for the planning, construction, and maintenance of flood control improvements.
- H. Under the budgeting process for the DISTRICT, a category of "Contributions" (hereinafter

“Funds”) has been established, setting aside monies that may be utilized by the various political subdivisions located within the boundaries of Yavapai County.

- I. The DISTRICT has approved and budgeted Funds to provide funding assistance for flood mitigation work and is authorized to expend such Funds for flood control projects (including storm water control) to political subdivisions for projects so long as the projects are flood or drainage related, cost-effective, a benefit to the County, the DISTRICT, and the political subdivision and are in accordance with FEMA regulations.
- J. The CITY has experienced storm water control and flooding problems for a number of years in various locations and seeks to mitigate such problems to increase safety and protect public and private property and persons within the CITY.
- K. The CITY seeks to improve its storm water control, make drainage improvements, and/or mitigate flooding problems by constructing the Coffee Pot Drainage Basin Improvements Project – Grasshopper Phase (hereinafter the “Project”).
- L. The CITY desires to receive DISTRICT Funds for the 2017-2018 fiscal year to be used for its Project.
- M. The DISTRICT has budgeted Funds to support the Project in an amount not to exceed Three Hundred Seventy-Five Thousand Dollars (\$375,000) for fiscal year 2017-2018 which begins on July 1, 2017.

AGREEMENTS

NOW THEREFORE, for good and valuable consideration, including consideration of the mutual promises, terms, and conditions hereinafter set forth, including the mutual promises and obligations to be performed by the Parties hereto, IT IS AGREED BETWEEN THE CITY AND THE DISTRICT AS FOLLOWS:

I. PURPOSE

The purpose of this Agreement is to authorize the DISTRICT to pay and contribute to the CITY Funds in support of the CITY’s Project. Such funding for fiscal year 2017-2018 shall not exceed Three Hundred Seventy-Five Thousand Dollars (\$375,000).

II. COMMENCEMENT, DURATION, AND TERMINATION

The effective date is as set forth on page one (1) of this Agreement. Performance under this Agreement shall commence following the effective date and shall terminate upon the earliest of:

- A. The completion of the Project as determined by the CITY;
- B. The exhaustion of the Funds allocated to the CITY for the Project;
- C. The end of the fiscal year 2017-2018; or
- D. The mutual agreement of the Parties.

III. RESPONSIBILITIES OF PARTIES

A. The CITY shall:

1. Be solely responsible for the design, engineering, bidding, right-of-way acquisition, supervision, construction, inspection, administration, and project management of the Project and for contracting directly for all Project work.
2. If plans are used to bid, provide the DISTRICT a copy of the final Project plans.
3. Use the Funds for the Project in fiscal year 2017-2018.
4. Use the Funds exclusively for costs associated with the Project described above.
5. When requesting Funds from the DISTRICT, provide detailed invoices with supporting documentation for the request(s).
6. Request Funds from the DISTRICT on or before July 31, 2018 (for work completed in fiscal year 2017-2018).
7. Be responsible for the proper disbursement of the Funds provided by the DISTRICT.
8. Be responsible for maintaining the Project and the resulting improvements.

B. The DISTRICT shall:

1. Make Funds available to the CITY for the Project as approved by the Board of Directors.
2. Provide funding as available and appropriate upon proper request(s) by the CITY.
3. Pay properly invoiced requests monthly or on an alternate schedule as agreed to by the CITY and DISTRICT.
4. Pay properly invoiced requests for work completed by the CITY in fiscal year 2017-2018 so long as CITY's requests are received by the DISTRICT on or before July 31, 2018.

C. The DISTRICT and CITY mutually agree:

1. That they recognize the Funds to be used by Parties pursuant to this Agreement are tax funds. The agreements herein for funding are based upon projected tax funds to be received. In the event the projected income is not received, there is the possibility that some or all of the Funds anticipated by this Agreement and set forth herein will not be available. All monetary obligations under this agreement shall be subject to annual budget approval of the respective governing bodies of the parties. A failure of either party's governing body to approve funding for payment of any obligation hereunder shall constitute grounds for termination of this agreement.
2. The Project is the sole responsibility of the CITY, and not of the DISTRICT or the County. All real property upon which the Project work will occur is within the CITY limits and not owned or under the control of the DISTRICT or County.

VII. INDEMNIFICATION

The CITY agrees to defend, indemnify, and hold harmless the DISTRICT, its Board of Directors,

the County, its Board of Supervisors, officers, employees, agents, or other representatives from any and all claims for damages or otherwise arising under this Agreement and from any negligent acts of the City, its officers, employees, agents, or other representatives. This Indemnification provision shall survive the termination of this Agreement.

VIII. OTHER PROVISIONS

- A. NOTICE. All notices or demands upon any party to this Agreement shall be in writing and shall be delivered in person or sent by certified mail, return receipt requested, addressed as follows:

CITY OF SEDONA
City Manager
102 Roadrunner Drive
Sedona, AZ 86336

DISTRICT
Yavapai County Flood Control District Director
1120 Commerce Drive
Prescott, AZ 86305

- B. ENTIRE AGREEMENT. This Agreement represents the entire understanding between the parties with respect to the subject matters herein, and may be amended, modified, or waived only by written instrument signed by both Parties.
- C. CONFLICT OF INTEREST. This contract is subject to the cancellation provisions of A.R.S. §38-511.
- D. SEVERABILITY. In case one or more of the provisions contained in this Agreement shall for any reason be held to be invalid, illegal, or unenforceable in any respect, such invalidity, illegality, or unenforceability shall not affect any other provision thereof and this Agreement shall be construed as if such invalid, illegal, or unenforceable provision had never been contained therein.
- E. NON-DISCRIMINATION. The Parties shall comply with Executive Order 2009-09, which mandates that all persons, regardless of race, color, religion, sex, age, national origin or political affiliation, shall have equal access to employment opportunities, and all other applicable State and Federal employment laws, rules and regulations, including the Americans with Disabilities Act. The Parties shall take affirmative action to ensure that applicants for employment and employees are not discriminated against due to race, creed, color, religion, sex, national origin or disability.
- F. EMPLOYMENT VERIFICATION. The Parties are required to comply with A.R.S. §41-4401, and hereby warrants that they will, at all times during the term of this Agreement, comply with all federal immigration laws applicable to the employment of their respective employees, the requirements of A.R.S. §41-4401, and with the e-verification requirements of A.R.S. §23-214(A) (together the “state and federal immigration laws”). The Parties further agree to ensure that each subcontractor that performs any work under this Agreement likewise complies with the state and federal immigration laws. A breach of a warranty regarding compliance with the state and federal immigration laws shall be deemed a material breach of the Agreement and the party who breaches may be subject

to penalties up to and including termination of the Agreement. The Parties retain the legal right to inspect the papers of any contractor or subcontract employee working under the terms of the Agreement to ensure that the other party is complying with the warranties regarding compliance with the state and federal immigration laws.

G. LAWS. The Parties shall each be fully responsible for compliance with all statutes ordinances, codes, regulations, rules, court decrees, or other laws (hereinafter "Laws") applicable to it as part of fully performing the Project with regards to their respective roles. This Agreement shall not relieve either Party of any obligation or responsibility imposed upon it by Laws.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement on the date and year specified below.

YAVAPAI COUNTY
FLOOD CONTROL DISTRICT

CITY OF SEDONA

Thomas Thurman, Chairman Date
Board of Directors
Yavapai County Flood Control District

Sandra J. Moriarty, Mayor Date
City of Sedona

ATTEST:

Kim Kapin Date
Clerk of the Board of Directors

Susan L Irvine, CMC Date
Sedona City Clerk

DETERMINATIONS OF COUNSEL

FOR THE
INTERGOVERNMENTAL AGREEMENT

BETWEEN
THE YAVAPAI COUNTY FLOOD CONTROL DISTRICT AND THE CITY OF SEDONA

FOR THE FISCAL YEAR 2017-2018 FINANCIAL CONTRIBUTION
FROM THE DISTRICT TO THE CITY FOR FLOOD CONTROL IMPROVEMENT

Pursuant to A.R.S. §11-952, as amended, the foregoing Agreement has been submitted to the undersigned Attorney City of Sedona. The undersigned has determined that this Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona and the City of Sedona.

City Attorney
City of Sedona

Date

Pursuant to A.R.S. §11-952, as amended, the foregoing Agreement has been submitted to the undersigned Attorney for the Yavapai County Flood Control District, Prescott, Arizona. The undersigned has determined that this Agreement is in proper form and is within the powers and authority granted under the laws of the State of Arizona to the Yavapai County Flood Control District.

Deputy County Attorney
Flood Control District

Date



**CITY COUNCIL
AGENDA BILL**

**AB 2255
July 11, 2017
Consent Items**

Agenda Item: 3d
Proposed Action & Subject: Approval of authorization for Mayor Moriarty to endorse a letter from Prescott Mayor Oberg to Governor Ducey urging further reforms to the Public Safety Personnel Retirement System (PSPRS).

Department	City Council
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	A. Letter

City Attorney Approval	Reviewed 7/3/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve authorization for the Mayor to sign a letter endorsing PSPRS reforms.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background:

The Arizona Public Safety Personnel Retirement System has been under review and reform for the last several years. The review stems from escalating costs, large unfunded liabilities and concerns about the solvency of the system. Over the last 10 years, the system went from being fully funded to having less than half the assets needed to pay anticipated liabilities. Employers were forced to pay 100% of the escalating unfunded liabilities at a significant cost to Arizona communities and districts.

Last year the voters approved Proposition 124, a law that addresses many of the financial solvency concerns by establishing restructured contribution rates and benefits for a new tier of employees (Tier 3) who start after July 1, 2017. In the 2017 legislative session, additional changes were made to the Tier 3 program (SB1063), to further safeguard the long-term viability of that new tier.

However, due to the State of Arizona constitution's pension clause, little can be done to reverse the growing liabilities for the Tier 1 and Tier 2 systems. PSPRS contribution rates for some communities exceed 80%, 90% and even 100% of total salaries. The FY18

contribution rate for City of Sedona Police Department employees is 33.97% of wages. The City's funded status and total unfunded liabilities as of June 30, 2016 are 60.6% and \$4.3 million respectively. The total funded status and unfunded liabilities for the entire PSPRS pension system as of June 30, 2016 are 46% and \$7.7 billion respectively.

Further reforms are needed to ensure that pension costs are manageable. The enclosed letter from Mayor Oberg from Prescott is just one attempt to continue to garner attention and support for further reforms.

Community Plan Compliant: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: approve the authorization for Mayor Moriarty to endorse a letter from Prescott Mayor Oberg to Governor Ducey urging further reforms to the Public Safety Personnel Retirement System (PSPRS).

Request for Executive Support at the State Legislature for PSPRS Reform

Dear Governor Ducey,

I am writing to respectfully request your support to encourage the Legislature to adopt further reforms to the Public Safety Personnel Retirement System (PSPRS). On its current trajectory, the System is an unsustainable burden to our hardworking taxpayers as well as an impediment to economic development.

I have convened two Mayoral Summits where approximately 25 mayors, mostly from rural municipalities, met and discussed the growing PSPRS unfunded liability and the threat of impending insolvency many of our cities face without structural reform to the System. The unanimous consensus among these mayors is that the Legislature must take further action to relieve the financial strain the municipalities face with their PSPRS unfunded liability. They have asked me to write this letter, and have endorsed its content by affixing their signatures below.

As you are aware, the Legislature established PSPRS as a required, uniform retirement system for public safety personnel. Over time, the Legislature increasingly granted even more lucrative benefits into the System when the pension plan was over 100% funded. Cities and towns were not consulted at any point on the determination or affordability of these benefits, yet were expected to fully fund them.

While recent legislation has established a new pension category (Tier III) beginning 1 July, 2017, the unfunded liability of Tier I and Tier II members and their beneficiaries will continue for decades. The mayors attending these summit meetings believe the Legislature has no realization the crushing financial burden these pension costs have placed on their ability to provide adequate city services, including police and fire. For example, Prescott's pension payment consumes 20% of its general fund budget, in Bisbee it is 22%, in Paradise Valley it is 7%, and in Tucson it is 16.5%. As you can see, the rural communities are more heavily impacted by their PSPRS burden. Even more alarming, the projected decrease in the Plan's expected rate of return and the ensuing increase in our annual required pension payments will continue to put drastic upward pressure on our general fund budgets.

While the municipalities are currently making their required payments to PSPRS, they are only doing so by greatly reducing staffing in all general fund municipal departments and severely cutting city services across the board, a condition known as "service insolvency". In many cases, cities are also raising taxes to stave off insolvency. But this cannot last much longer. Just as you are reluctant to raise taxes, so are the mayors who have attended these summit meetings.

A press release by State House Speaker J.D. Mesnard earlier this spring indicates he is establishing a PSPRS Ad Hoc Committee to study the increasing pension liability issue and to educate members of the Legislature on the serious impact this is having on cities and towns. We agree this is a first step in the right direction. We also believe an

additional aspect of this committee is to identify reasonable proposals for legislation to provide equitable and sustainable solutions for both the rank and file members and the taxpayer.

We request your support in the following three areas:

1. Install the 9th member of the PSPRS Board who is an acknowledged representative of the taxpayer and who will help empower the Board to take a proactive approach to preventing increases in the unfunded liabilities within Tier 3 as well as existing PSPRS members.
2. Take an active role to support the PSPRS Legislative Ad Hoc Committee and influence the Legislative leadership to address the critical issues of PSPRS.
3. Request a review of the PSPRS administration and board be conducted to achieve implementation of greater accountability and cost reduction measures for both.

Future solutions could include considering the establishment of a PSPRS cost sharing method between the state and municipalities which brings the individual entities' unfunded liability to a manageable level as well as supporting a legislative referendum to eliminate the pension clause from the state constitution.

We greatly appreciate your leadership and support that led to the passage of legislation and the ensuing Proposition 124 in May of 2016, which made some strides in prospective resolution. Now we ask you once again to lead the effort to address the unfunded liability we face.

As such, we ask you to please consider attending our next Mayors Summit meeting scheduled for 21 July at 11:00 AM. The meeting will be held in the Crystal Room of the Prescott Valley Library. We believe a proactive approach is best for all our citizens and far surpasses the alternative of dealing with multiple municipal reorganizations.

On behalf of all Arizonians, thank you in advance for your strong leadership on this issue.

Sincerely,

Harry B. Oberg
Mayor



**CITY COUNCIL
AGENDA BILL**

**AB 2260
July 11, 2017
Consent Items**

Agenda Item: 3e
Proposed Action & Subject: Approval of an employment agreement between the City of Sedona and Robert Pickels, Jr. for the position of City Attorney.

Department	City Council
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	A. Employment Agreement

City Attorney Approval	Reviewed 7/3/17 RLP	Expenditure Required
		\$ 236,187.26 (FY 18)
City Manager's Recommendation	N/A	Amount Budgeted
		\$ 236,187.26 (FY 18)
		Account No. 10-5230-01-6005, etc. (Description) Wages and Benefits
		Finance Approval <input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: City Council has conducted two executive sessions regarding an employment agreement with the City Attorney, Robert Pickels, Jr. As a result, a new employment agreement with Mr. Pickels is before Council for approval.

Community Plan Compliant: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: approve the employment agreement between the City of Sedona and Robert Pickels, Jr. for the position of City Attorney.

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EMPLOYMENT AGREEMENT

THIS EMPLOYMENT AGREEMENT (this "Agreement"), is made and entered into effective as of the ___ day of July, 2017 ("Effective Date"), by and between the CITY OF SEDONA, ARIZONA, an Arizona municipal corporation, acting by and through its City Council ("Employer" or "City Council"), and Robert Pickels Jr. ("City Attorney" or "Employee").

RECITALS:

A. Employer is an Arizona municipal corporation and Employee is an attorney duly qualified and admitted to practice law of the State of Arizona.

B. Employer desires to employ Employee as, and Employee desires to accept employment as, City Attorney of the City of Sedona, Arizona, upon the terms and conditions set forth in this Agreement.

NOW, THEREFORE, in consideration of the mutual promises and covenants contained in this Agreement and for other good and valuable consideration, the sufficiency and receipt of which is hereby acknowledged, Employer and Employee (collectively, the "Parties;" each a "Party") agree as follows:

AGREEMENTS:

1. Employment. Employer hereby employs Employee as City Attorney and Employee hereby accepts such employment from Employer upon the terms and conditions set forth below.

2. Services and Duties.

2.1 Employee's duties as City Attorney shall consist of those duties and obligations imposed upon the City Attorney by the City Code, ordinances and regulations of City and those other duties and responsibilities delegated or assigned by the City Council, from time to time, to Employee. These duties shall specifically include but not be limited to a) regular meetings with the City Manager for the purpose of discussing issues facing the City, possible courses of action in relation to those issues, and the legal implications of following such possible courses of action and b) advise and provide accessibility to the City staff.

2.2 Employee shall faithfully, completely and accurately carry out and perform his duties in accordance with the highest professional and ethical standards of

his profession and shall comply with all ordinances, rules, policies and regulations established or adopted by Employer from time to time.

2.3 Hours of Work. It is recognized by the Parties that the duties of City Attorney require work outside of normal office hours and Employee agrees to devote the amount of time and energy necessary to carry out those duties with the highest degree of professionalism possible.

2.4 Outside Activities. Employee will remain in the exclusive employ of Employer during the term of this Agreement. The term “employ,” however, shall not be construed to include (a) occasional teaching, writing, or consulting work performed by Employee on Employee’s time off or (b) occasional legal work performed on behalf of Employee, members of his immediate family, or on a pro bono basis to other individuals outside of normal business hours, provided that such non-City connected activities do not interfere with Employee’s ability to faithfully, promptly and to the best of Employee’s ability, experience and talent, perform all of his obligations under this Agreement, express or implied, to the satisfaction of Employer, in its reasonable discretion; and, provided further, that (i) no such activity shall involve a project, development or other activity which requires, or is likely to require at any time, review or approval by the City Council or by any officer, agency, board or commission of the City; and (ii) no such activity shall create a conflict of interest with the City or create or give rise to a reasonable perception of such a conflict.

This provision shall not be interpreted to prevent Employee from assisting other municipalities or government entities (which municipalities and other entities may provide similar services for City) upon request, by performing legal services without compensation.

2.5 Other Terms and Conditions of Employment. Employer shall have the right to fix such other terms and conditions of employment relating to the performance of Employee as Employer may determine from time to time, provided such terms and conditions are not inconsistent with or in conflict with the provisions of this Agreement, the City Code or any other applicable law.

3. Term; Termination. The term of this Agreement shall be for a period of one (1) year commencing on the Effective Date, and ending on the day immediately preceding the first anniversary of the Effective Date, subject to early termination or extension pursuant to the provisions in this Section 3 (the “Term”). As used herein, the term “Termination Date” means the date on which Employee’s employment by Employer terminates under any provision of this Section 3.

3.1 Early Termination by Employer. Employee is employed at the will of Employer and nothing in this Agreement shall prevent, limit or otherwise interfere with the right of Employer to terminate Employee and this Agreement at any time, with or without cause, by delivery of written notice of such termination to Employee not less than thirty (30) days in advance of the Termination Date set forth in the notice, unless the Parties otherwise agree. Notwithstanding the foregoing, if the termination is for Cause, as defined by Paragraph 9 of this Agreement, the Termination Date may be immediate or such other date as may be determined by the City Council.

In the event Employee is terminated pursuant to this Section 3.1 without "Cause" as defined in Paragraph 9 of this Agreement (i) Employer shall pay to Employee, in full and complete payment of all compensation due to Employee under this Agreement, (a) Employee's regular pay and benefits through the Termination Date, paid on the regular paydays of Employer, plus (b) an amount equivalent to one-hundred and eighty (180) additional days of Base Salary (as defined below) and benefits (defined as reimbursement for life insurance, payments of health insurance and retirement benefits as expressly provided for herein), as severance pay, paid as a lump sum and conditioned upon Employee's execution of a release as provided below. At the time of termination, payment for accrued vacation, sick leave and holidays not used at the Termination Date shall be made to Employee in accordance with City policies.

If Employee is terminated for Cause as defined by Paragraph 9 of this Agreement, Employer shall have no obligation to pay the sums set forth in this Section 3.1, other than to pay and benefits through the effective Termination Date as provided in Section 3.1(a), above.

Prior to the delivery of the severance payment provided for in Section 3.1(b) of this Agreement, and as a condition to Employee's receipt of such severance payment, Employee agrees to execute and deliver to Employer a release (provided by Employer and in form and content acceptable to Employer), effective as of the Termination Date, releasing City, its City Council, officers, employees and agents, of all claims that Employee may have against City, its City Council, officers, employees and agents, including, without limitation, claims arising out of alleged intentional acts or other misconduct committed by City Council members and claims arising under Arizona or Federal law pertaining to equal employment opportunity, age discrimination, and discrimination on basis of disability. To the extent permitted by law, Employee hereby grants and delivers such release to the City. Payment of all severance sums shall be made upon the effective date of said release (which for example, may be delayed due to the Employee's statutory right to revoke the release).

3.2 Early Termination by Employee. Nothing in this Agreement shall prevent, limit or otherwise interfere with the right of the Employee to resign at any time from his position with Employer by delivery of written notice of such termination to Employer not less than thirty (30) days in advance of the Termination Date set forth in the notice, unless the parties otherwise agree in writing. If this Agreement is terminated pursuant to this Section 3.2, Employer shall pay to Employee, in full and complete payment of compensation due to Employee under this Agreement, Employee's regular pay and benefits through the Termination Date, on the regular paydays of Employer, and any accrued and unpaid leave time and expense reimbursement earned and attributable to any period prior to the Termination Date.

3.3 Early Termination Due to Death or Incapacity. This Agreement shall terminate upon the occurrence of the following events: (i) Employee's death occurring any time during the Term, in which event the Termination Date shall be Employee's date of death; or (ii) the permanent disability of Employee occurring at any time during the Term. For purposes of the foregoing, Employee shall be deemed to be permanently disabled if, by reason of any physical or mental condition, Employee is unable, in the reasonable judgment of the City Council, to perform the essential

functions of his duties under this Agreement, with or without reasonable accommodations. In the event this Agreement shall terminate pursuant to the provisions of this Section 3.3, Employer shall pay to Employee (or to Employee's estate or legal representative) in full and complete payment of all compensation due to Employee under this Agreement, the pro rata portion of any unpaid Base Salary through the Termination Date, any accrued and unpaid expense reimbursement and accrued vacation, and accrued leave not used prior to the Termination Date calculated as provided herein.

4. Compensation. For all services to be rendered by Employee under this Agreement, Employer will pay or cause to be paid or delivered to Employee only the following compensation and benefits:

4.1 Salary. Employer agrees to pay Employee an annual salary of \$158,000.00 (the "Base Salary"), payable in equal installments at the same time as other employees of the Employer are paid. The City Council may (but is not obligated to) increase the Base Salary and/or other benefits of Employee in such amounts and to such extent as City Council may determine, from time to time, in its sole discretion, to be desirable on the basis of periodic performance reviews of Employee and an annual salary review made at the same time as similar consideration is given to other employees generally.

4.2 Vacation. Employee shall accrue vacation leave at a rate of 7.69 hours per pay period up to a maximum accrual of 300 hours. Employee shall be entitled to flexible leave as granted to all full-time employees. Otherwise, Employee shall be entitled to use vacation and flexible leave in accordance with the provisions of the City of Sedona Employee Manual, effective on the date of this Agreement; provided, however, that Employee shall only take such vacation days at such time or times that shall not affect his duties under this Agreement or the quality of services rendered pursuant to this Agreement.

4.3 Insurance and Other Benefits. Except as expressly provided herein, Employer will pay all insurance premiums for Employee's health insurance coverage and Employee's dependents health insurance coverage under the health insurance plans being offered to employees of the city. Employer shall also pay \$300.00 per month into a deferred compensation account for employee. In addition, Employer will pay for life insurance premiums on a life insurance policy in behalf of Employee for a policy in the amount of \$250,000.00.

4.4 Performance Review. The City Council may review and evaluate the performance of Employee from time to time and shall conduct such a review and advise Employee of the results of that review in advance of any renewal of this Agreement. Employer's review and evaluation shall be in accordance with specific criteria developed jointly by Employer and Employee.

4.5 Retirement Contributions. Employee acknowledges that Employer is a member of the Arizona State Retirement System and as such is obligated to contribute to the system in behalf of Employee. Employee further acknowledges that Employer is obligated to deduct certain statutorily required contributions from Employee's salary. It is

understood and agreed that said contributions may change from time to time and Employer and Employee both agree to be bound by said changes.

4.6 Expenses.

4.6.1 General Business Expenses. Employer will reimburse Employee upon submission of appropriate invoices, receipts, bills or other evidence of payment, for all ordinary and necessary business expenses directly incurred and paid by Employee in discharging his duties under this Agreement, if prior approval was given by Employer for such expenses.

4.6.2 Expenses for Professional Development. Employer agrees to budget for and to pay the travel and subsistence expenses of Employee for: (i) short courses and seminars required for continuing legal education and necessary for Employee's professional development and for the good of the City, if prior approval was given by Employer for such expenses; (ii) professional and official travel expenses for meetings and other professional occasions that contribute to his professional development and to his role as City Attorney.

4.6.3 Dues and Subscriptions. Employer agrees to budget and to pay a reasonable amount for the professional dues and subscriptions of Employee necessary for his continued full participation in any national, regional, state and local associations and organizations deemed necessary and desirable by Employer for the effective and professional performance of Employee's duties under this Agreement. Dues payable pursuant to this Section shall include but not be limited to Employee's membership dues to the State Bar of Arizona.

4.6.4 Records. Employee shall keep receipts and accurate records of all expenses and charges claimed to be reimbursable under this Agreement, which records shall be suitable in form and content both for Employer's records and for Internal Revenue Service purposes.

4.6.5 Phone Allowance. Employer will pay Employee the monthly sum of up to \$100.00 to compensate him for the purchase of a PDA phone and monthly service charges. The phone will be considered the Employee's personal property.

4.7 Tax Withholding. All amounts of Base Salary and other compensation, if any, payable to Employee under this Agreement shall be reduced by any amounts that Employer is required to withhold with respect to such payments under the then applicable provision of any state, federal or local income or other tax laws, the so-called "FICA" laws, regulations or statutes of a like nature or any and all other state, federal or local laws of any kind or nature.

4.8 No Reduction of Benefits. Employer shall not at any time during the Term reduce the salary, compensation, or other financial benefits of Employee, except to the extent of a reduction across-the-board for all administrative employees of the Employer, which reduction Employer shall have the right to make, in its sole discretion, notwithstanding any provision in this Agreement to the contrary; provided, however, that in no event shall Employee's Base Salary be reduced during the Term.

5. Residency Requirement. As City Attorney, Employee shall live within a ten mile radius of the Sedona City Hall unless employee after reasonable efforts is unable to find satisfactory affordable residency within this distance. In such a case, Employee shall obtain the consent of the Mayor to maintain a residence at a further distance.

6. Indemnification. In addition to any requirements imposed by state and/or local law, Employer shall defend, hold harmless, and indemnify Employee against any tort, professional liability claim or demand or other legal action, whether groundless or otherwise, arising out of an alleged act or omission occurring in the performance of Employee's duties as City Attorney, except to the extent caused by Employee's gross negligence, recklessness or intentional misconduct. Employer shall have the right to select and employ counsel to defend any such action and to compromise and settle any such claim or suit and shall pay (directly or through insurance) the amount of any settlement or judgment rendered with respect to such action.

7. Bonding. Employer shall bear the full cost of any fidelity or other bonds required of Employee under any law, ordinance or City Council requirement. Employee shall complete all necessary applications and otherwise cooperate with Employer in applying for and obtaining such bond.

8. Return of Property. On the Termination Date, regardless of how or why this Agreement is terminated, or whenever otherwise reasonably requested by Employer, Employee shall immediately return to Employer any or all of Employer's property, tangible or intangible, real, personal or mixed, including, but not limited to, any such property that is in Employee's possession or under his control or which is used, produced or created by Employee in rendering services under this Agreement or otherwise, all of which Employee hereby acknowledges and agrees is and shall be the property of Employer.

9. Cause. The occurrence of one or more of the following acts or omissions shall constitute "cause" for the termination of Employee under this Agreement.

(a) The failure of Employee to perform any of his duties, obligations and services under this Agreement to the reasonable satisfaction of Employer, after written notice from Employer to Employee particularizing the alleged failure or failures, after which Employee shall have failed to correct the matters set forth in such notice within ten (10) days following the date on which such notice is given;

(b) Employee's gross negligence, recklessness, gross incompetence or intentional misconduct in the performance of his duties;

(c) If Employee: (i) embezzles, steals or misappropriates funds or property of Employer or defrauds Employer; (ii) is convicted of a felony; (iii) commits an act or omission which in the opinion of the City Council brings discredit of a serious nature to Employer or Employee; or (iv) commits an act of dishonesty.

(d) Any other substantial and material breach of any provision of this Agreement by Employee; or

(e) Any other circumstances that, in the reasonable judgment of Employer, reduces or eliminates the benefit to Employer of Employee's service under this Agreement.

10. Remedies. Except as expressly provided herein, the event of a breach of this Agreement by either party, the non-breaching party shall have all rights and remedies available at law, in equity or under the terms of this Agreement; provided, however, that in no event shall Employee have any right to punitive, exemplary consequential or multiple damages against Employer, except for treble damages which may be available to Employee under A.R.S. § 23-355 relating to the failure to pay wages when due.

11. General Provisions.

11.1 Employer Policies. To the extent not inconsistent with the Agreement, Employee acknowledges and agrees that he is bound by all of the Employer's employment policies applying generally to employees, as they may be adopted and/or modified by Employer from time to time in its sole discretion. In the event of an inconsistency between the Employer's employment policies applying generally to employees, and any provision of this Agreement, the terms of this Agreement shall control.

11.2 Binding Nature of Agreement; Assignment. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective heirs, personal representatives, successors and permitted assigns. Employee acknowledges that the services to be rendered by Employee pursuant to this Agreement are unique and personal. Accordingly, Employee may not assign or transfer any of his rights or obligations under this Agreement without the prior written consent of Employer (which consent may be withheld by Employer in its sole discretion) and any purported assignment of Employee's rights or obligations without such consent shall be void and of no force or effect. This Agreement is made for the sole benefit of the Parties and their respective heirs, personal representatives, successors and permitted assigns and the persons identified in the release provision of Section 3.1 of this Agreement. Except as expressly provided in this Agreement, no other person or entity is intended to or shall have any rights or benefits under this Agreement, whether as third party beneficiaries or otherwise.

11.3 Entire Agreement; Amendment. This Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter hereof and supercedes all prior and contemporaneous agreements, understandings, inducements and conditions express or implied, oral or written, of any nature whatsoever with respect to the subject matter hereof. This Agreement may not be modified or amended other than by an agreement in writing signed by both Parties.

11.4 Governing Law; Choice of Forum. This Agreement is executed, delivered and will be performed in the State of Arizona and the substantive laws of the State of Arizona (without reference to choice of law principles) shall govern its interpretation and enforcement. Any action brought to interpret or enforce any provisions of this Agreement, or otherwise relating to or arising from this Agreement, shall be commenced and maintained in the Superior Court of the State of Arizona in and for the County of Yavapai and each of the Parties irrevocably consents to jurisdiction and venue in such Court for such purposes.

11.5 Relationship Created. The relationship created by this Agreement shall be deemed and construed to be, and shall be, solely that of employer and employee and not of any other type or nature.

11.6 Attorneys' Fees. Should any proceeding or litigation be commenced between the Parties concerning the terms of this Agreement, or the rights and duties of the Parties under this Agreement, the prevailing Party in such proceeding or litigation shall be entitled, in addition to such other relief as may be granted, to a reasonable sum as and for the prevailing Party's attorneys' fees, to be determined by the court, and not by the jury.

11.7 Severability. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, effective during the Term, such provision shall be fully severable; this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part of this Agreement; and the remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement. Furthermore, in lieu of each such illegal, invalid or unenforceable provision, there shall be added automatically as part of this Agreement a provision similar in terms to such illegal, invalid or unenforceable provision as may be possible and be legal, valid and enforceable, and this Agreement shall be reformed accordingly.

11.8 Further Assurances. Employee shall execute and deliver all other instruments and documents and shall take all other actions as Employer may reasonably request from time to time, before or after the execution of this Agreement, in order to effectuate the transactions provided for in this Agreement.

11.9 Construction. This Agreement is intended to express the intent of both Parties, and irrespective of the identity of the Party or counsel who prepared this Agreement or any draft of this Agreement; no rule of strict construction shall be applied against any Party. All words used in this Agreement shall refer to the appropriate number or gender, regardless of the number or gender stated.

11.10 Indulgences Not Waivers. Neither the failure nor any delay on the part of a Party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver thereof, nor shall any single or partial exercise of any right, remedy, power or privilege preclude any other or further exercise of the same or of any other right, remedy, power or privilege, nor shall any waiver of any right, remedy, power or privilege with respect to any occurrence be construed as a waiver of such rights, remedies, powers or privileges with respect to any other occurrence.

11.11 Costs and Expenses. Each Party shall bear its own costs, including counsel fees and accounting fees, incurred in connection with the negotiation, drafting and consummation of this Agreement and all matters incident to this Agreement.

11.12 Headings. The captions or headings in this Agreement are for convenience of reference only and shall not control or affect the meaning or construction of any provision hereof.

11.13 Recitals. The Recitals made and stated above are hereby incorporated by reference into, and made a part of, this Agreement.

11.14 Notice. Any notice, request, demand and other communication required or permitted under this Agreement shall be in writing and shall be deemed to have been duly given, made and received when hand-delivered to the Party to whom it is addressed or upon the date noted upon the receipt for registered or certified mail, first class postage prepaid, return receipt requested, addressed as set forth below:

If to City: City of Sedona
102 Roadrunner Drive
Sedona, AZ 85336
Attn: Mayor/City Manager

If to Employee: Robert Pickels, Esq.
116 Fawn Drive
Sedona, AZ 8633

Any Party may alter the address or addresses to which communications or copies are to be sent to such Party by giving notice of such change of address in conformity with the provisions of this Section 11.14 for the giving of notice.

11.15 Prior Approvals. Unless otherwise required by law or expressly stated in this Agreement, in any case where the prior approval of Employer is required to authorize the incurrence of a job-related expense by Employee, the written approval of the Mayor of City of Sedona shall constitute approval by Employer.

11.16 Conflict of Interest. This Agreement is subject to, and may be terminated by City in accordance with, the provisions of A.R.S. § 38-511.

IN WITNESS WHEREOF, the Mayor, as duly authorized by the City Council and on behalf of the City, has signed and executed this Agreement and Employee has signed and executed this Agreement, both in duplicate as of the Effective Date.

CITY COUNCIL OF SEDONA, ARIZONA

ATTEST:

By: _____
Sandra J. Moriarty, Mayor

Susan L. Irvine, CMC, City Clerk

Date

Date

Robert L. Pickels, Jr.

Date

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**CITY COUNCIL
AGENDA BILL**

**AB 2254
July 11, 2017
Regular Agenda**

Agenda Item: 8a
Proposed Action & Subject: Discussion/possible action regarding a FY18 service contract between the City of Sedona and the Sedona Public Library.

Department	City Manager's Office
Time to Present	5 Minutes
Total Time for Item	60 Minutes
Other Council Meetings	April 25, 2017 and April 27, 2017 Budget Work Session; May 16 th Tentative Budget Adoption
Exhibits	A. FY18 Funding Request Packet from Library B. Draft Library Contract

City Attorney Approval	Reviewed 7/3/17 RLP	Expenditure Required
		\$ TBD
City Manager's Recommendation	Consider the service contract and funding level for the library.	Amount Budgeted
		\$ 403,780
		Account No. 10-5245-91-6715 (Description)
		Finance Approval <input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: On April 25, 2017, the FY18 Service Contract Review Committee's recommendations for five service contract organizations were presented to City Council. The requests and recommendations were further discussed by the Council during the Budget Work Sessions on April 26th and 27th. Final funding decisions were made by City Council on April 27, 2017, and these were the amounts included in the tentative budget adoption.

During the meeting at which the tentative budget was adopted, City Council directed staff to include \$403,780 for the Sedona Library but did not wish to finalize that amount until they had a chance to further deliberate. The purpose of this agenda item is to provide an opportunity for the City Council to continue that conversation and determine a final amount for the Library's service contract for FY18. Representatives from the Sedona Library will be in attendance at this meeting for questions and answers from Council. The FY18 contract may also be approved at the time the final funding level is determined, should Council be prepared to do so. A draft contract is included as Exhibit B and whatever funding amount is decided on can simply be inserted into the contract document per Council direction.

The following reflects the last two years funding amounts for the Library as well as the FY18 funding request and the FY18 funding level recommended by the Committee and City Council.

Organization	FY 2016 Funding	FY 2017 Funding	FY 2018 Requested Funding	FY 2018 Committee Recommend	FY 2018 Council Recommend
Sedona Public Library	\$386,966	\$393,932	\$656,160	\$493,932	\$403,780

The FY18 funding request packet from the Library is included as Exhibit A.

Funding options to consider may include:

- Maintain original Council recommendation and current budgeted funding level, which increases FY17 funding by the CPI-U of 2.5% for a total FY18 funding amount of \$403,780. *Identification of additional funding would not be necessary.*
- Increase funding amount to \$432,000, which was the pre-recession funding amount. The Library Board, at their most recent meeting, agreed to ask Council to reconsider funding the contract at or above this level. *This requires an additional \$28,220 over budgeted amount.*
- Follow the Committee’s recommendation and increase the FY18 contract \$100,000 over the FY17 funding level. *This requires an additional \$90,152 over budgeted amount.*
- Increase to some other amount TBD by Council consensus.

Additional funding could be obtained through an allocation from the FY18 General Fund Contingency (total general contingency is \$250,000) or from the reduction of another line item(s) as identified by City Council.

Other Contract Terms

As was done in FY15, a three (3) year contract term is being recommended for the Library. This is consistent with the service agreements with the Sedona Community Center and Verde Valley Caregivers. Inflationary escalators would be added to the contract amount at the beginning of each fiscal year using the Bureau of Labor Statistics CPI-U for the West Region (for the previous 12-month period ending December of the prior year), capped at 5% annually to insulate the City from risk of inflation increasing significantly beyond our forecasted assumptions during that time frame.

For FY18, two service organizations were granted one-year terms based on unique circumstances that may significantly alter their funding needs by next year. The Sedona Library is now also requesting a one (1) year contract so that they may have the opportunity to request additional funding next year. While the City Council could choose to grant the Sedona Library’s request for a one year agreement, it is staff’s assessment that the Library does not have the same unique circumstances that could substantially change their financial situation over the course of the next twelve months. It is therefore recommended that whatever funding level is decided for FY18, be the basis for a three-year agreement with annual inflationary escalators.

Community Plan Compliant: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: approve the service contract with the Sedona Library in the amount of \$ _____ and authorize the City Manager to sign said contract.

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FUNDING REQUEST FORM **FY 2018 - 2020**

ORGANIZATION INFORMATION

(For summary purposes only)

RECEIVED
MAR 27 2017
 CITY OF SEDONA
 OFFICE OF CITY MANAGER

Organization Name: Sedona Public Library, Inc.		
Street Address: 3250 White Bear Road		
City: Sedona	State: AZ	Zip: 86336
Employer Identification Number (EIN): 86-6052627		
Organization Phone: 928-282-7714		Fax: 928-282-5789
Organization Website: www.sedonalibrary.org		
Chief Executive Officer/Executive Director Name: Virginia Volkman		
CEO/Exec. Director Phone: 928-282-7714		Email: Vvolkman@sedonalibrary.org
Board Chair Name: David Simmer		
Board Chair Phone: 928-284-4444		Email: dsimmer9@gmail.com
Contact Name/Title for application: Virginia Volkman		
Contact Person Phone: 928-282-7714		Email: Vvolkman@sedonalibrary.org
Please provide a list of your organization's Board of Directors and titles:		
David Simmer – President		
Pat Jansen – Past-President		
Joel DeTar – President-Elect		
Wendy Edwards – Secretary		
Abbie Denton Lander – Treasurer		
Harvey Bershader		
John Crawford		
Charles Curtis		
Gwen Ortmeyer		
Roger Shlonsky		
Mike Yarbrough		

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FUNDING REQUEST FORM

ORGANIZATION INFORMATION (continued)

Establishment Date of Organization:	1958
Dates of Organization's fiscal year (i.e. Jan. - Dec.)	June - May

Please list your Organization's staff composition in numbers:

<i>Paid full time</i>	<i>Paid part time</i>	<i>Volunteers</i>	<i>Interns</i>	<i>Other (specify)</i>	<i>Total Staff (professional & volunteer)</i>
11	10	141	0	0	162

AMOUNT REQUESTED

Funding amount requested:	\$656,160
Total annual organization budget for upcoming fiscal year:	\$1,408,081

Please Note: As was done in FY15, funding request will be made for year one. Assuming contracts will continue to have three year terms, inflationary escalators based on CPI will be applied to the first year amount to determine funding levels in years two and three.

AUTHORIZATION

The undersigned **Board Chair/President or Executive Director of the organization**, does hereby certify that the information set forth in this grant application is true and correct, that the Federal tax exemption determination letter attached hereto has not been revoked and the present operation of the organization and its current sources of support are not inconsistent with the organization's continuing tax exempt classification as set forth in such determination letter.

Print Name:	Virginia Volkman
Title:	Library Director
Signature:	<i>Virginia Volkman</i>
Date:	<i>March 27, 2017</i>

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FINANCIAL INFORMATION

City of Sedona funding for the previous three (3) years:

	Year: 2015	Year: 2016	Year: 2017
Amount:	\$382,000	\$386,966	\$393,932

Please provide the following financial information for your organization on separate paper(s).

1. Provide a list of organization's income sources and amount and percentage of total income.
2. Provide the current year line-item budget for revenue and expenditures with year-to-date actuals.
3. Provide the prior year line-item revenue and expenditure budgets and prior year line-item actuals for revenues received and expenditures spent.
4. Provide a signed income and expenses statement and balance sheet for the most recent year end.
5. Provide proof of current IRS recognized 501(c) status.
6. Provide an accounting of the prior years City funding award detailing how funds were spent.

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Financial Information**

Question 1: Income Sources for Fiscal Year 2016 (Main Library Only)

<u>Source</u>	<u>Amount</u>	<u>Percent</u>
Coconino County	\$ 417,157	33%
City of Sedona	\$ 386,966	31%
Yavapai County	\$ 224,526	18%
Friends of Sedona Library, Inc.	\$ 104,050	8%
Donations	\$ 91,277	7%
Other Sources:		3%
Arizona Community Foundation Grant	\$ 7,000	
State Grant in Aid	\$ 1,067	
Revenue from Services	\$ 32,115	
Total Income by Source	\$ 1,264,158 *	100%

*The total income amount presented in the schedule is only for the main library and does not include the income value of the “library material donated”, investment gain or loss, or any income related to the Library’s Village of Oak Creek service center.

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Financial Information**

Question 2: Current Year Budget with Year-To-Date Actuals (Main Library Only)

	<u>FY 2017 Approved Budget</u>	<u>FY 2017 Actual Thru 1/31/2017</u>
Revenue		
Donations other than Governmental Support		
Donations	\$ 44,700	\$ 129,329
Friends of Sedona Library, Inc.	\$ 104,500	\$ 64,475
Arizona Community Foundation		\$ 1,000
Governmental Support		
Coconino County	\$ 417,158	\$ 186,522
Yavapai County	\$ 224,108	\$ 112,054
City of Sedona	\$ 387,000	\$ 196,966
Revenue from Services	\$ 32,400	\$ 22,268
Total Ordinary Revenue	\$ 1,209,866	\$ 712,613
Expense		
Operating Expenses		
Collection Development	\$ 121,200	\$ 77,599
Administrative and Professional Expense	\$ 73,475	\$ 51,429
Communications Expense	\$ 27,943	\$ 8,136
Equipment Expense	\$ 26,160	\$ 10,028
Facilities Expense	\$ 113,700	\$ 73,406
Operating Supplies	\$ 18,500	\$ 8,412
Payroll and Personnel Expense	\$ 962,543	\$ 579,118
Total Operating Expense	\$ 1,343,521	\$ 808,130
Net Increase/Decrease in Ordinary Assets	\$ (133,655)	\$ (95,516)
Other Revenue and Expense		
Other Income	\$ 14,400	\$ 12,800
Other Expense	\$ 2,000	\$ 513
Net Increase (Decrease) in Assets	\$ (121,255)	\$ (83,229)

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Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Financial Information

Question 3: Prior Year Budget with Prior Year Actuals (Main Library Only)

	<u>FY 2016</u> <u>Approved Budget</u>	<u>FY 2016 Actual</u>
Revenue		
Donations other than Governmental Support		
Donations	\$ 19,500	\$ 91,277
Friends of Sedona Library, Inc.	\$ 104,500	\$ 104,050
Arizona Community Foundation	\$ -	\$ 7,000
Governmental Support		
Coconino County	\$ 417,158	\$ 417,157
Yavapai County	\$ 224,526	\$ 224,526
City of Sedona	\$ 382,000	\$ 386,966
State Grant in Aid	\$ -	\$ 1,067
Revenue from Services	\$ 34,460	\$ 32,115
Total Ordinary Revenue	<u>\$ 1,182,144</u>	<u>\$ 1,264,158</u>
Expense		
Operating Expenses		
Collection Development	\$ 121,000	\$ 114,487
Administrative and Professional Expense	\$ 73,380	\$ 50,620
Communications Expense	\$ 26,000	\$ 25,907
Equipment Expense	\$ 23,300	\$ 19,203
Facilities Expense	\$ 118,000	\$ 101,869
Operating Supplies	\$ 22,000	\$ 13,976
Payroll and Personnel Expense	\$ 982,327	\$ 834,800
Total Operating Expense	<u>\$ 1,366,007</u>	<u>\$ 1,160,862</u>
Net Increase/Decrease in Ordinary Assets	<u>\$ (183,863)</u>	<u>\$ 103,296</u>
Other Revenue and Expense		
Other Income	\$ 14,400	\$ 19,200
Other Expense	\$ 2,000	\$ 1,121
Net Increase (Decrease) in Assets	<u>\$ (171,463)</u>	<u>\$ 121,375</u>

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*Financial Information
Question 4.*

**SEDONA PUBLIC LIBRARY, INC.
(A NONPROFIT CORPORATION)
FINANCIAL STATEMENTS
Years Ended May 31, 2016 and 2015**

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Schutte & Hilgendorf PLLC - CPA's

Solving Accounting, Audit & Tax Puzzles

INDEPENDENT AUDITORS' REPORT

To the Board of Trustees of
Sedona Public Library, Inc.

We have audited the accompanying financial statements of Sedona Public Library, Inc. (a nonprofit organization), which comprise the statements of financial position as of May 31, 2016 and 2015, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Sedona Public Library, Inc. as of May 31, 2016 and 2015,

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and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Schutte & Hilgendorf

Prescott, Arizona
October 4, 2016

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SEDONA PUBLIC LIBRARY, INC.
STATEMENTS OF FINANCIAL POSITION
MAY 31, 2016 AND 2015

ASSETS	<u>2016</u>	<u>2015</u>
CURRENT ASSETS		
Cash and cash equivalents (Notes 2 & 3)	\$ 612,556	\$ 565,486
Certificates of deposits	407,253	403,275
Accounts receivable (Note 2)	280	800
Grants receivable	57,782	-
Promises to give, net of allowance and discount (Notes 2 & 4)	6,657	10,396
Prepaid expenses	5,901	-
Deposits	<u>1,612</u>	<u>906</u>
TOTAL CURRENT ASSETS	<u>1,092,041</u>	<u>980,863</u>
PROPERTY AND EQUIPMENT, NET (Notes 2 & 7)	3,044,062	3,258,547
OTHER ASSETS		
Intangible assets, net of accumulated amortization of \$28,000 and \$27,690 in 2016 and 2015 (Note 2)	-	310
Investments (Notes 2 & 5)	<u>1,935,861</u>	<u>2,040,715</u>
TOTAL OTHER ASSETS	<u>1,935,861</u>	<u>2,041,025</u>
TOTAL ASSETS	<u><u>\$ 6,071,964</u></u>	<u><u>\$ 6,280,435</u></u>

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LIABILITIES AND NET ASSETS	<u>2016</u>	<u>2015</u>
CURRENT LIABILITIES		
Accounts payable	\$ 21,282	\$ 17,956
Accrued expenses	20,063	30,834
Deposits payable	<u>6,070</u>	<u>4,960</u>
TOTAL CURRENT LIABILITIES	<u>47,415</u>	<u>53,750</u>
NET ASSETS		
Unrestricted		
Undesignated	4,060,684	4,167,360
Unrestricted-board designated (Note 5 & 14)	<u>1,935,817</u>	<u>2,040,671</u>
Total Unrestricted	5,996,501	6,208,031
Temporarily restricted (Note 15)	<u>28,048</u>	<u>18,654</u>
TOTAL NET ASSETS	<u>6,024,549</u>	<u>6,226,685</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 6,071,964</u></u>	<u><u>\$ 6,280,435</u></u>

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See accompanying notes and independent auditors' report

SEDONA PUBLIC LIBRARY, INC.
STATEMENT OF ACTIVITIES
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	2016				
	Unrestricted			Temporarily Restricted	Total
	Undesignated	Board Designated Founation Fund	Total		
SUPPORT AND REVENUE					
Grants	\$ 1,110,384	\$ -	\$ 1,110,384	\$ -	\$ 1,110,384
Donations	179,649	-	179,649	16,478	196,127
Fundraising campaign	-	-	-	7,750	7,750
In-Kind contributions	15,752	-	15,752	-	15,752
Book sales	312	-	312	-	312
Room rentals	8,090	-	8,090	-	8,090
Advertising income	5,525	-	5,525	-	5,525
Sponsorship income	1,700	-	1,700	-	1,700
Rental property income (Note 10)	19,200	-	19,200	-	19,200
Dividend and interest income	4,167	20,411	24,578	-	24,578
Gain(loss) on investments	-	(107,722)	(107,722)	-	(107,722)
Gain (loss) on sale of fixed assets	158	-	158	-	158
Fines, fees & miscellaneous	26,271	-	26,271	-	26,271
TOTAL SUPPORT AND REVENUE	1,371,208	(87,311)	1,283,897	24,228	1,308,125
NET ASSETS					
RELEASED FROM RESTRICTIONS					
Satisfaction of donor restrictions	14,834	-	14,834	(14,834)	-
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	1,386,042	(87,311)	1,298,731	9,394	1,308,125
EXPENSES					
Program Services	1,287,177	-	1,287,177	-	1,287,177
Management and General	136,287	17,543	153,830	-	153,830
Fundraising	69,254	-	69,254	-	69,254
TOTAL EXPENSES	1,492,718	17,543	1,510,261	-	1,510,261
INCREASE(DECREASE) IN NET ASSETS	(106,676)	(104,854)	(211,530)	9,394	(202,136)
NET ASSETS - BEGINNING OF YEAR	4,167,360	2,040,671	6,208,031	18,654	6,226,685
NET ASSETS - END OF YEAR	\$ 4,060,684	\$ 1,935,817	\$ 5,996,501	\$ 28,048	\$ 6,024,549

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2015

	Unrestricted				
	Board Designated			Temporarily Restricted	Total
	Undesignated	Founation Fund	Total		
SUPPORT AND REVENUE					
Grants	\$ 1,080,899	\$ -	\$ 1,080,899	\$ -	\$ 1,080,899
Donations	131,347	-	131,347	21,800	153,147
Fundraising campaign	-	-	-	250	250
In-Kind contributions	14,872	-	14,872	-	14,872
Book sales	163	-	163	-	163
Room rentals	11,020	-	11,020	-	11,020
Rental property income (Note 10)	19,200	-	19,200	-	19,200
Dividend and interest income	4,095	20,812	24,907	-	24,907
Gain(loss) on investments	-	109,012	109,012	-	109,012
Gain (loss) on sale of fixed assets	(492)	-	(492)	-	(492)
Fines, fees & miscellaneous	26,646	-	26,646	-	26,646
TOTAL SUPPORT AND REVENUE	1,287,750	129,824	1,417,574	22,050	1,439,624
NET ASSETS RELEASED FROM RESTRICTIONS					
Purchase of property & equipment	5,486	-	5,486	(5,486)	-
Satisfaction of donor restrictions	59,347	-	59,347	(59,347)	-
TOTAL SUPPORT, REVENUE, AND NET ASSETS RELEASED FROM RESTRICTIONS	1,352,583	129,824	1,482,407	(42,783)	1,439,624
EXPENSES					
Program Services	1,459,568	-	1,459,568	-	1,459,568
Management and General	143,324	20,161	163,485	-	163,485
	100,799	-	100,799	-	100,799
TOTAL EXPENSES	1,703,691	20,161	1,723,852	-	1,723,852
INCREASE(DECREASE) IN NET ASSETS	(351,108)	109,663	(241,445)	(42,783)	(284,228)
NET ASSETS - BEGINNING OF YEAR	4,208,468	2,241,008	6,449,476	61,437	6,510,913
Interfund transfers	310,000	(310,000)	-	-	-
NET ASSETS - END OF YEAR	\$ 4,167,360	\$ 2,040,671	\$ 6,208,031	\$ 18,654	\$ 6,226,685

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See accompanying notes and independent auditors' report

SEDONA PUBLIC LIBRARY, INC.
STATEMENTS OF FUNCTIONAL EXPENSES
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	2016			
	Program Services	Management and General	Fundraising	Total
EXPENSES				
Advertising	\$ 4,567	\$ -	\$ 5,660	\$ 10,227
Bank charges	-	110	-	110
Board expenses	-	14	-	14
Cataloging	7,452	-	-	7,452
Communications	44,298	-	1,600	45,898
Continuing education	4,061	-	229	4,290
Employee benefits	98,924	17,148	2,560	118,632
Equipment rent	3,658	-	-	3,658
Insurance	-	5,196	-	5,196
Investment fees	-	17,543	-	17,543
Library materials	31,623	-	-	31,623
Memberships	1,599	-	-	1,599
Meetings	-	124	40	164
Payroll taxes	47,919	7,716	3,710	59,345
Professional fees	7,521	10,975	7,799	26,295
Programming & events	8,757	-	-	8,757
Rent (Note 11)	17,497	-	-	17,497
Repairs & maintenance	56,071	-	-	56,071
Salaries & wages	549,015	95,004	47,560	691,579
Security system	849	-	-	849
Supplies	16,256	-	75	16,331
Taxes & licenses	360	-	-	360
Telephone	4,240	-	-	4,240
Travel	1,547	-	21	1,568
Utilites & trash removal	56,234	-	-	56,234
Volunteer benefits	3,647	-	-	3,647
TOTAL EXPENSES BEFORE DEPRECIATION	966,095	153,830	69,254	1,189,179
Depreciation	321,082	-	-	321,082
TOTAL EXPENSES	<u>\$1,287,177</u>	<u>\$ 153,830</u>	<u>\$ 69,254</u>	<u>\$1,510,261</u>
% of total	85%	10%	5%	

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	2015			
	Program Services	Management and General	Fundraising	Total
EXPENSES				
Advertising	\$ 16,108	\$ -	\$ 1,564	\$ 17,672
Bad debt	1,210	-	-	1,210
Bank charges	-	33	3	36
Board expenses	-	14	-	14
Cataloging	5,065	-	-	5,065
Communications	43,337	-	917	44,254
Continuing education	3,690	-	216	3,906
Employee benefits	114,018	17,914	4,292	136,224
Equipment rent	3,544	-	-	3,544
Insurance	-	8,225	-	8,225
Investment fees	-	20,161	-	20,161
Library materials	31,406	-	-	31,406
Memberships	2,237	-	-	2,237
Meetings	-	141	-	141
Payroll taxes	56,097	8,198	5,850	70,145
Professional fees	14,215	10,470	12,500	37,185
Programming & events	22,384	-	-	22,384
Rent (Note 11)	21,319	-	-	21,319
Repairs & maintenance	54,717	-	-	54,717
Salaries & wages	637,348	98,329	75,039	810,716
Security system	1,009	-	-	1,009
Supplies	19,211	-	418	19,629
Telephone	2,911	-	-	2,911
Travel	1,350	-	-	1,350
Utilites & trash removal	54,226	-	-	54,226
Volunteer benefits	3,727	-	-	3,727
TOTAL EXPENSES BEFORE DEPRECIATION	1,109,129	163,485	100,799	1,373,413
Depreciation	350,439	-	-	350,439
TOTAL EXPENSES	<u>\$1,459,568</u>	<u>\$ 163,485</u>	<u>\$ 100,799</u>	<u>\$1,723,852</u>
% of total	85%	9%	6%	

See accompanying notes and independent auditors' report

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SEDONA PUBLIC LIBRARY, INC.
STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2016 AND 2015

	<u>2016</u>	<u>2015</u>
CASH FLOW FROM OPERATING ACTIVITIES		
(Decrease) in net assets	\$ (202,136)	\$ (284,228)
Adjustments to reconcile (decrease) in net assets to net cash provided(used) by operating activities:		
Donated property and equipment	(12,686)	(7,844)
Net investment (gain)loss	107,722	(109,012)
(Gain)loss on disposition of property and equipment	(158)	492
Depreciation	321,082	350,439
(Increase) decrease in:		
Accounts receivable	520	210
Grants receivable	(57,782)	-
Promises to give	3,739	5,655
Prepaid expenses	(5,901)	417
Deposits	(706)	-
(Decrease)increase in:		
Accounts payable	3,326	1,922
Accrued expenses	(10,771)	7,916
Deposits payable	1,110	675
NET CASH PROVIDED(USED) BY OPERATING ACTIVITIES	<u>147,359</u>	<u>(33,358)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property and equipment	(12,837)	(655,338)
Proceeds from disposition of assets	250	-
Acquisition of books	(80,856)	(95,463)
Reinvested dividends and interest	(6,846)	(2,349)
Proceeds from transfer of investments	-	310,000
Purchase of certificates of deposits	-	(200,000)
NET CASH USED BY INVESTING ACTIVITIES	<u>(100,289)</u>	<u>(643,150)</u>
NET INCREASE (DECREASE) IN CASH	47,070	(676,508)
CASH - BEGINNING OF YEAR	<u>565,486</u>	<u>1,241,994</u>
CASH - END OF YEAR	<u><u>\$ 612,556</u></u>	<u><u>\$ 565,486</u></u>

See accompanying notes and independent auditors' report

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SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 1 – ORGANIZATION AND PURPOSE

Sedona Public Library, Inc. (a nonprofit corporation) (the Library), is located in Sedona, Arizona, and was incorporated on April 27, 1966. In December 2005, the Library opened a small branch in Village of Oak Creek. The Library is operated for the benefit of the residents of the City of Sedona, and Yavapai and Coconino Counties. The mission of the Library is to enrich the lives of the residents and visitors by serving as a center for community activities and providing information, cultural, and civic services that are responsive, affordable and enjoyable. The major sources of income include grants from governmental agencies, donations from the general public, and revenue from operations.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting

The financial statements of the Library have been prepared on the accrual basis of accounting in accordance with generally accepted accounting principles. The significant accounting policies followed are described below.

Cash and Cash Equivalents

For the purpose of the statement of cash flows, highly liquid investments with an initial maturity of three months or less are considered to be cash equivalents.

Accounts Receivable

Accounts receivable consist primarily of fees due from program services and are non-interest bearing. It is the Library's policy to charge off uncollectible accounts receivable when management determines the receivable will not be collected. The Library expects all accounts receivable to be fully collectible.

Investments

The Library carries investments in marketable securities with readily determinable fair values at their fair values based on quoted prices in active markets (Level 1 measurements) in the Statements of Financial Position. Unrealized gains and losses are included in the change in net assets in the accompanying Statements of Activities. Cost basis of donated investments is determined based on the investments value when it is donated. Investment income and gains restricted by a donor are reported as increases in unrestricted net assets if the restrictions are met (either by passage of time or by use) in the reporting period in which the income and gains are recognized.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Contributions

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. When restrictions are satisfied, temporarily restricted net assets are reclassified to unrestricted net assets, reported as net assets released from restrictions.

Promises to Give

Unconditional promises to give that are expected to be realized in one year or less are classified as unrestricted net assets in the statements of activities and are recorded as contributions receivable at net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the net present value of their estimated future cash flows and are recorded as temporarily restricted net assets due to time restrictions.

Contributed Services and Facilities

The Library records various types of in-kind contributions including professional services, advertising and materials. Contributed services are recognized if the services received (a) create or enhance long-lived assets or (b) require specialized skills, are provided by individuals possessing those skills, and would typically need to be purchased if not provided by donation. Contributions of tangible assets are recognized at fair market value when received. The amounts reflected in the accompanying financial statements as in-kind contributions are offset by like amounts included in expenses or property and equipment.

Additionally, the Library receives a significant amount of unskilled, contributed time which does not meet the two recognition criteria described above. Accordingly, the value of this contributed time has not been determined and is not reflected in the accompanying financial statements. During the years ended May 31, 2016 and 2015, the Library received in excess of 15,000 unskilled volunteer hours.

On occasion, the Library may allow its facilities to be used, free of rental charges, to certain community organizations. The value of these contributed facilities meeting the requirements for recognition in the financial statements was not material and has not been recorded.

Compensated Absences

Employees of the Library are entitled to paid vacation depending on length of service. The Library has accrued \$18,438 and \$21,842 for vacations as of May 31, 2016 and 2015, respectively, which is included in accrued expenses on the Statements of Financial Position.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Advertising

The Library expenses non-direct response advertising costs as incurred. Advertising expense for the years ended May 31, 2016 and 2015 was \$10,227 and \$17,672, respectively.

Property and Equipment

The Library's policy is to capitalize property and equipment at costs in excess of \$500. Donations of property and equipment are recorded as support at their estimated fair value. Such donations are reported as unrestricted support unless the donor has restricted the donated asset to a specific purpose. Assets donated with explicit restrictions regarding their use, and contributions of cash that must be used to acquire property and equipment are reported as temporarily restricted support. Absent donor stipulations regarding how long those donated assets must be maintained, the Library reports expirations of donor restrictions when the donated or acquired assets are placed in service as instructed by the donor. The Library reclassifies temporarily restricted net assets to unrestricted net assets at that time. Property and equipment are depreciated using the straight-line method over their estimated useful lives. Repair and maintenance costs are expensed as incurred.

Collection items are capitalized at cost if purchased and at fair value at date of donation if donated. Collection items are protected, kept unencumbered, cared for and preserved. Gains and losses from dispositions of collection items are reported as changes in net assets based on the absence or existence and nature of donor-imposed restrictions.

Intangible Assets

Intangible assets are recorded at cost and are amortized over their useful lives. Intangible assets are comprised of software user licenses/seats, have a definite life and are amortized on a straight-line basis over fifteen years.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Library is exempt from federal and state income tax under the provisions of Section 501(c)(3) of the Internal Revenue Code; therefore, no provision for income taxes has been made in these financial statements. The Library has also been classified as an entity that is not a private foundation within the meaning of Section 509(a) and qualifies for deductible contributions as provided in Section 170(b)(1)(A)(vi).

Functional Allocation of Expenses

The costs of providing various programs and supporting services have been summarized on a functional basis in the Statements of Functional Expenses. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

NOTE 3 – CASH AND CASH EQUIVALENTS

The following were included in cash and cash equivalents as of May 31, 2016 and 2015:

	<u>2016</u>	<u>2015</u>
Cash on hand	\$ 1,539	\$ 1,538
Chase Bank	<u>611,017</u>	<u>563,948</u>
Total Cash and Cash Equivalents	<u>\$612,556</u>	<u>\$565,486</u>

The FDIC insures cash deposited with Chase Bank up to \$250,000 per institution. As of May 31, 2016 and 2015, total uninsured balances were \$361,017 and \$313,948, respectively. Management believes it is not exposed to any significant credit risk on its cash balances. The Library has not experienced any loss in such accounts.

NOTE 4 – PROMISES TO GIVE

Promises to give are recorded as receivables and revenue when promised. The Library distinguishes between contributions received for each net asset category in accordance with donor imposed restrictions. Pledges are recorded after being discounted to the anticipated net present value of the future cash flows. Due to the nature of the promises in relation to time restriction of use in prior periods, promises to give are presented in these financial statements as temporarily restricted net assets.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 4 – PROMISES TO GIVE (Continued)

For the years ended May 31, 2016 and 2015 promises to give consist of receivables from board members as follows:

	<u>2016</u>	<u>2015</u>
Total Promises to Give	\$8,100	\$12,100
Less discount at 4%	(443)	(704)
Less allowance for doubtful accounts	<u>(1,000)</u>	<u>(1,000)</u>
Net Receivable – Temporarily Restricted	<u>\$6,657</u>	<u>\$10,396</u>
Amounts due in:		
Less than 1 year	\$5,700	\$ 8,700
One to two years	1,200	1,200
Two to three years	1,200	1,200
Three to four years	<u> -</u>	<u> 1,000</u>
	<u>\$8,100</u>	<u>\$12,100</u>

NOTE 5 – INVESTMENTS

Investments consist of the following:

	<u>2016</u>	<u>2015</u>
Arizona Community Foundation (pooled investments)	\$1,935,817	\$2,040,671
Mount Gunnison Fuel Company Stock (cost method investment)	<u> 44</u>	<u> 44</u>
	<u>\$1,935,861</u>	<u>\$2,040,715</u>

The pooled investments are board-designated to be used by the Library for expansion and major repairs and replacements (see Note 14); however they are considered unrestricted under generally accepted accounting principles.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 5 – INVESTMENTS (Continued)

Investment earnings include interest and dividends, and realized/unrealized gains(losses). The return on designated investments are detailed as follows:

	<u>2016</u>	<u>2015</u>
Interest and dividends	\$ 20,411	\$ 20,812
Realized/unrealized gains (losses)	<u>(107,722)</u>	<u>109,012</u>
Investment return (loss)	<u>\$ (87,311)</u>	<u>\$129,824</u>

NOTE 6 – FAIR VALUE MEASUREMENTS

The fair value of the pooled investments, as discussed in Note 5, is measured on a recurring basis at May 31, 2016 and 2015, and is determined by reference to Level 1 inputs, which include quoted prices obtained from the principal market for the individual securities. The fair value of other assets and liabilities included in the statements of financial position approximate book value due to their short term nature.

NOTE 7 – PROPERTY AND EQUIPMENT

Property and equipment at May 31, 2016 and 2015 consisted of the following:

	<u>2016</u>	<u>2015</u>	<u>Depreciable Life</u>
General books	\$1,302,646	\$1,298,789	10 years
Land-library	740,977	740,977	
Land-rental	63,000	63,000	
Artwork	4,413	4,413	
Land improvements	394,149	394,149	15-20 years
Library-building and improvements	3,754,741	3,751,022	5-39 years
Leasehold improvements	1,192	1,192	5 years
Rental real estate	251,848	251,848	7-30 years
Furniture and fixtures	348,168	349,688	5-7 years
Equipment	<u>434,322</u>	<u>425,204</u>	3-15 years
	7,295,456	7,280,282	
Less accumulated depreciation	<u>(4,251,394)</u>	<u>(4,021,735)</u>	
	<u>\$3,044,062</u>	<u>\$3,258,547</u>	

Depreciation expense for the years ended May 31, 2016 and 2015 was \$321,082 and \$350,439, respectively.

SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 8 – GENERAL BOOKS

At May 31, 2016 and 2015, general books consisted of the Library's collection of books, periodicals, newspapers, and audio-visual material available for loan to the public. General books are stated at cost and are included in property and equipment on the Statements of Financial Position. Donations of library materials and items disposed of are added or removed based on an average cost derived by management.

Detail of general books is as follows:

	<u>2016</u>	<u>2015</u>
Beginning of year	\$1,298,789	\$1,364,098
Purchases	80,856	95,462
Donations of library materials	12,686	7,844
Dispositions and adjustments	<u>(89,686)</u>	<u>(168,615)</u>
End of year	<u>\$1,302,645</u>	<u>\$1,298,789</u>

NOTE 9 – ECONOMIC DEPENDENCY

For the years ended May 31, 2016 and 2015, the Library received the following grants from governmental entities:

	<u>2016</u>	<u>2015</u>
City of Sedona	\$ 386,966	\$ 382,000
Coconino County	417,157	417,157
Yavapai County	284,526	280,747
State Grant in Aid	<u>1,067</u>	<u>995</u>
Total	<u>\$1,089,716</u>	<u>\$1,080,899</u>
% of total support and revenue	76%	75%

The Library is economically dependent on future governmental grants in order to continue service at current levels.

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SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 10 – RENTAL PROPERTY

The Library leases the use of a building and land owned by the Library under the terms of a lease agreement to an unrelated party. The original term of the lease was for one year beginning on February 15, 2013 and ending on February 14, 2014 with monthly rent of \$1,500. New leases were executed on March 1, 2014 through February 29, 2016 and March 1, 2016 through February 28, 2017 for \$1,600 per month. Total rental income for the leased building and land for the years ended May 31, 2016 and 2015 was \$19,200 and \$19,200, respectively.

The following is a summary of rental property included in property and equipment:

	<u>2016</u>	<u>2015</u>
Land-rental	\$ 63,000	\$ 63,000
Rental real estate	<u>251,848</u>	<u>251,848</u>
	314,848	314,848
Less accumulated depreciation	<u>(197,555)</u>	<u>(186,590)</u>
	<u>\$117,294</u>	<u>\$128,259</u>

The following is a schedule of future minimum rental payments required under the above rental agreement as of May 31, 2016:

<u>Year Ending May 31,</u>	<u>Amount</u>
2017	<u>\$14,400</u>

NOTE 11 – OPERATING LEASES

The Library leases space for the Village of Oak Creek service center under the terms of an operating lease. The original term of the lease was for ten years beginning on January, 1 2011, and ending on November 30, 2021. The library relocated during the year ended May 31, 2016, terminating the original lease and entering into a new lease with a term of three years beginning September 1, 2015 and ending August 31, 2018. Total rent expense for the leased space for the years ended May 31, 2016 and 2015 was \$17,497 and \$21,319, respectively, and includes \$1,650 and \$6,600 of discounted rent recorded as in-kind contributions for the years ending May 31, 2016 and 2015, respectively.

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SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015

NOTE 11 – OPERATING LEASES (Continued)

The Library leases copiers under the terms of an operating lease. The term of the lease is for five years beginning on October 1, 2012, and ending on September, 30, 2017. Total rent expense for the equipment for the years ended May 31, 2016 and 2015 was \$3,544 and \$3,498, respectively, and is included in equipment rent on the Statements of Functional Expenses.

The following is a schedule of future minimum rental payments required under the above operating leases as of May 31, 2016:

<u>Year Ending May 31,</u>	<u>Amount</u>
2017	\$18,390
2018	16,108
2019	<u>3,708</u>
	<u>\$38,206</u>

NOTE 12 – RETIREMENT PLAN

The Library sponsors a Simplified Employee Pension – Individual Retirement Account (SEP-IRA) plan. All full and part-time employees who work an annual average of 20 hours or more per week are eligible to participate in the plan. Under the plan, the Library will contribute an amount equal to 5% of an employee’s salary to an individual retirement account. The Board of Trustees selects the administrator of this plan. Plan contributions for the years ended May 31, 2016 and 2015 totaled \$32,107 and \$36,494, respectively, and is included in employee benefits.

NOTE 13 – CASH FLOW INFORMATION

During the fiscal year ended May 31, 2016 and 2015, non-cash investing activities are comprised of receipts of donated library materials, artwork, furniture and fixtures, and equipment valued at \$12,686 and \$7,844, respectively.

NOTE 14 – THE FOUNDATION FUND

The “Designated Foundation Fund” was established by the Library’s Board of Trustees as a board designated unrestricted fund for the purpose of providing for the expansion and major repairs and replacements of its facilities. The funds are invested in the Arizona Community Foundation’s pooled investments fund.

The balance of the Foundation Fund account is included in investments, with balances of \$1,935,817 and \$2,040,671, at May 31, 2016 and 2015, respectively (see Note 5).

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**SEDONA PUBLIC LIBRARY, INC.
NOTES TO FINANCIAL STATEMENTS
May 31, 2016 and 2015**

NOTE 15 – RESTRICTIONS ON NET ASSETS

Restrictions on temporarily restricted net assets at May 31, 2016 and 2015 relate to contributions designated for specific purposes.

Temporarily restricted net assets are available for the following purpose:

	<u>2016</u>	<u>2015</u>
Veterans' history project	\$ 3,669	\$ 2,101
Promises to give	6,657	10,396
Si Birch community room kitchen	3,721	3,721
LSTA – State of Arizona	13,657	2,092
Early Literacy Solutions Program	<u>344</u>	<u>344</u>
Total	<u>\$28,048</u>	<u>\$18,654</u>

NOTE 16 – FRIENDS OF THE SEDONA LIBRARY

The Friends of the Sedona Library, whose purpose is to provide financial support to the Library through fundraising activities, provided to the Library donations of \$105,050 and \$105,100 in the years ended May 31, 2016 and 2015, respectively, and are included in donations on the Statements of Activities.

NOTE 17 – SUBSEQUENT EVENTS

The Library has evaluated subsequent events through October 4, 2016, the date which the financial statements were available to be issued.

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Financial Information

Question 5.

U. S. TREASURY DEPARTMENT
INTERNAL REVENUE SERVICE

DISTRICT DIRECTOR
FEDERAL BUILDING
PHOENIX, ARIZONA 85025

APR 1 1964

IN REPLY REFER TO
Form 2954
Code 414
PHX:EO:64-28

Sedona Public Library

Sedona, Arizona

PURPOSE
<u>Educational & Literary</u>
FORM 990A REQUIRED
<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
ACCOUNTING PERIOD END- ING May 31

Gentlemen:

Based upon the evidence submitted, it is held that you are exempt from Federal income tax as an organization described in section 501(c)(3) of the Internal Revenue Code, as it is shown that you are organized and operated exclusively for the purpose shown above. Any questions concerning taxes levied under other subtitles of the Code should be submitted to us.

You are not required to file Federal income tax returns so long as you retain an exempt status, unless you are subject to the tax on unrelated business income imposed by section 511 of the Code and are required to file Form 990-T for the purpose of reporting unrelated business taxable income. Any changes in your character, purposes or method of operation should be reported immediately to this office for consideration of their effect upon your exempt status. You should also report any change in your name or address. Your liability for filing the annual information return, Form 990A, is set forth above. That return, if required, must be filed after the close of your annual accounting period indicated above.

Contributions made to you are deductible by donors as provided in section 170 of the Code. Bequests, legacies, devises, transfers or gifts to or for your use are deductible for Federal estate and gift tax purposes under the provisions of section 2055, 2106 and 2522 of the Code.

You are not liable for the taxes imposed under the Federal Insurance Contributions Act (social security taxes) unless you file a waiver of exemption certificate as provided in such Act. You are not liable for the tax imposed under the Federal Unemployment Tax Act. Inquiries about the waiver of exemption certificate for social security taxes should be addressed to this office.

This is a determination letter.

Very truly yours,

George D. Patterson
District Director

Federal I D
86-6052627

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FORM 2954 (REV. 9-61)

**Fiscal Year 2018 City of Sedona Service Contract Funding Request
Sedona Public Library
Financial Information**

Question 6: Provide an accounting of the prior year City funding award detailing how funds were spent.

City of Sedona funding was used to fund a portion of our FY2016 operating costs.

FY2016

Total Income	\$1,264,158
Income from City of Sedona	\$ 386,966
Total Expenses	\$1,160,862
Expenses paid with City funds	\$ 386,966

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**Fiscal Year 2018-2020 City of Sedona Service Contract Funding Request
Sedona Public Library
Narrative Response**

1. Brief summary of organization purpose and goals. Also include the organization's mission statement.

The purpose of Sedona Public Library, Inc. is "to establish and maintain a public library or libraries, reading room and other facilities for the benefit of education, enjoyment, literary and cultural advancement of the public of Sedona, Arizona, and vicinity; and to carry on any other lawful and associated objectives pertaining thereto."

Mission Statement: The Sedona Public Library enriches lives by fostering lifelong learning and by ensuring that every member of the community and visitors have access to engaging ideas, information, cultural / civic services and activities.

2. Brief description of organization current programs or activities and specific accomplishments; please highlight new or different activities within the last year, if any, for your organization.

Current Services and Programs:

- Books, movies and audio books to check out
- Story times and music classes for preschoolers
- Visits to Head Start and preschool classes to present story times
- Tutoring for students who are at risk for not meeting the State reading standard
- Regular visits to the library by Sedona Charter School classes
- Programs for homeschooled children and their parents
- Paws to Read programs, where children read to registered therapy dogs
- Informative lectures and entertainment programs for adults
- English Language Learning (ELL) classes
- Computer access for adults, with 25 desktop computers and 8 laptop computers
- Computer access for children, with 4 desktop computers and
- Computers with educational software in English and Spanish for preschoolers
- Computer classes to teach basic internet skills to adults
- Computer classes to teach computer programming skills to children
- E-books available from our website for patrons to borrow and download to their computers and other hand-held devices
- E-books for children through online database called Tumblebooks
- E-Reader classes
- Health screening program (service provided by Northern Arizona Healthcare), that measures cholesterol levels, blood pressure, and blood glucose
- Tax preparation and e-filing services provided by AARP TaxAide volunteers
- Cultural Passes for free admission for two, to 19 different cultural institutions
- Displays, including annual quilt show and Camera Club exhibit

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New Activities and Accomplishments:

- Received an LSTA mini-grant to launch a community reads project. Collaborated with Arizona Humanities, the Sedona Heritage Museum and the Veterans History Project to bring programs to the community based on the book "House of Apache Fires" by local author Morgan Jameson.
- Increased (almost doubled) the speed of our Internet connection to provide better service to patrons and improve staff productivity.
- Created a new website to provide our patrons with a fresh, modern look; a more streamlined organization for easier access; and most importantly, a more mobile-friendly experience.
- Arranged for a Mexican Mobile Consulate visit to Sedona. Residents were able to update and obtain 133 legal documents without having to make a trip to Phoenix and were also able to receive legal advice to help them get on the road to citizenship.
- Established regular communication to residents with Check It Out magazine.
- Received the 2016 Customer Service Award, given by the Sedona Chamber of Commerce and Tourism Bureau.
- Received the Spirit of Sedona 2016 Community Collaborator Award, given by the Arizona Community Foundation of Sedona.

3. What are the opportunities, challenges, issues or need currently facing your organization that justify the request?

In order to provide public library service for the City we depend on the funding of our operations from the counties and the City of Sedona. We are facing the challenge of reduced funding from Friends of Sedona Library as they restructure their funding procedures for the organization.

The requested increase in funding from the City will allow us to:

- Provide a minimum of 55 hours of library services to the community (See *attached Library Hours Comparison*)
- Fill a vacancy for an outreach librarian who will focus in-part on our Spanish-speaking community
- Restore a business office support position (which was surrendered because of inadequate funding)
- Add a maintenance support person so that we can maintain our aging facility and will allow us to have a maintenance person on-site during all hours of operation
- Add a part-time teen librarian position
- Provide for the necessary replacement and prudent expansion of our collection of bound-books, electronic-books, DVDs, CDs, etc...based on a professional evaluation of the demands of our community

4. Number and type of programs available to the public that are free and by charge put on by the Library.

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All but one of the 843 programs offered by the Library during fiscal year 2016 were free. Programs included summer reading programs for children, preschool story times, computer classes, author visits, book discussions, musical entertainment, movie nights, educational lectures, and more. We only charged a fee for a drama workshop offered in the summer for teens and taught by professionals. For those who needed financial assistance, scholarships were offered by the Friends of Sedona Library.

All books, magazines, movies, audio books, e-books, and other media are loaned free of charge. Computer access is free. Wifi service is free. Reference service is provided free of charge. Access to databases is free.

5. Number and type of community groups that use the Library facilities (i.e. Community Room).

See attached for a list of groups that used the Library facilities in FY 2016.

Fifty non-profit organizations meet at the Library on a regular basis. As a public service these groups are offered a meeting place, and the Library incurs the very real costs of set up, clean up, and maintenance and repair. Groups may meet two times a year without cost.

Commercial organizations also meet at the Library and are charged a nominal fee for use of the meeting spaces. Local and federal government agencies use space at the Library. The City of Sedona uses the community room for public forums on local issues.

6. Provide a five (5) year history of service statistics as they pertain to City residents served vs. nonresidents if the information can be segregated that way.

See attached for a five year history of service statistics that the library tracks and for a comparison to 3 benchmark organizations.

Service statistics cannot be segregated by city residents served vs. nonresidents. We estimate that 70% of the patron cardholders have Sedona addresses; 20% VOC addresses; 10% other.

7. Provide a five-year history on the amount and funds raised by the Friends of the Library and the use of the funds.

See attached.

8. Describe your criteria for success for each program or activity funded by the City. What do you want to accomplish as a result of your activities? Describe both immediate and long term effects.

The criteria for success will be an increase in visits to the library and to our website,

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circulation of physical and electronic materials, and participation in programs by residents and visitors.

Immediate effects are informing and entertaining our users and strengthening the sense of community through social interactions. Long-term effects are a more educated, entertained, and computer literate population.

9. What is your overall measurement strategy, types of qualitative and/or quantitative data to be collected, collection process and evaluation methods you will apply to demonstrate to the City that the City's investment has been effective?

Library statistics will provide a measurement of how Sedona-area patrons and visitors are using the library. We also plan to do a survey to measure customer satisfaction.

10. Please describe any emerging trends within the library community and how the proliferation of technology and electronic media has effected how the library provides services.

One of the real challenges that the library faces is staying current with the changing world of technology. We have added e-books and e-readers to our list of services in order to keep current with trends in information and entertainment delivery. We try to fund most of these additional services through grants, but new and ongoing costs are often associated with new technology, such as staff time to demonstrate how to use e-readers and download e-materials. To meet patron demand, we must still maintain print copies of items when we purchase a digital copy. In some instances we might have a specific item in five formats: regular print, large type print, cd book, e-book, and e-audio book.

Providing more meeting spaces has become a much-requested service that we are trying to keep up with. Rearrangement of our space will be needed in order to meet this demand.

11. How does your organization compare to best practices in your field?

Sedona Public Library was named one of America's Star Libraries for 2014, 2015, and 2016. The *Library Journal* compared U.S. public libraries based on statistical data that measures services they delivered to their communities. Each of those years more than 7,000 public libraries in the U.S. were rated, and between 258 and 261 libraries (3%) were named star libraries.

The *Library Journal Index* is based on these four types of per capita use: visits to the library, circulation (number of items checked out), public computer use, and program attendance. In 2016, e-circulation statistics were also included. Star Library ratings are awarded to libraries that generate the highest combined per capita outputs among libraries with similar expenditures.

Library Hours Comparison — Ranked by Hours of Operation

Surrounding Area Libraries (Clarkdale excluded because the Library is closing)

	Community	Identifying Information	Sun	Mon	Tue	Wed	Thurs	Fri	Sat	TOTAL
1	Flagstaff	East Flagstaff	4	12	12	12	12	9	4	65.0
2	Camp Verde		0	11	11	11	11	8.5	8.5	61.0
3	Prescott		0	8	11	11	11	8	8	57.0
4	SEDONA		0	8	8	10	8	7	7	48.0
5	Cottonwood		0	4	9.5	9.5	9.5	9.5	4	46.0

Randomly Selected Communities with a strong reputation and a large tourist population

	Community	Identifying Information	Sun	Mon	Tue	Wed	Thurs	Fri	Sat	TOTAL
1	Aspen, CO	Pitkin County Library	6	11	11	11	11	9	9	68.0
2	Boulder, CO		6	11	11	11	11	8	8	66.0
3	Park City, UT		4	11	11	11	11	8	8	64.0
4	Telluride, CO		5	10	10	10	10	8	8	61.0
5	Santa Fe, NM		4	10	10	10	10	8	8	60.0
6	Breckenridge CO	Summit County Library	4	10	10	10	10	8	8	60.0
7	Durango, CO		0	11	11	11	7.5	8.5	8.5	57.5
8	Beaufort, SC		0	10	9	10	9	9	8	55.0
9	Asheville, NC	Pack Memorial	0	10	10	10	10	8	7	55.0
10	Cooperstown NY		4	11	8	11	8	8	4	54.0
11	Scottsdale, AZ	Apaloosa Branch	0	9	9	9	9	8	8	52.0
12	Monterey, CA		4	8	8	8	8	8	8	52.0
13	Key West, FL	Munroe County Public Library	0	8.5	8.5	8.5	8.5	8.5	8	50.5
14	SEDONA, AZ		0	8	8	10	8	7	7	48.0
15	Buckhannon, WV		0	10	7	7	10	7	4	45.0

From the 2016 livability.com list of the best small towns (less than 20k population) in America*

	Community	Identifying Information	Sun	Mon	Tue	Wed	Thurs	Fri	Sat	TOTAL
1	Los Alamos, NM		5	11	11	11	11	8	7	64.0
2	Louisville, CO		4	10	10	10	10	8	8	60.0
3	Amherst, MA	Jones Public Library	4	4.5	12.5	8.5	12.5	8.5	8.5	59.0
4	Sitka, Alaska		0	10	10	10	10	10	8	58.0
5	Lebanon, NH	Sundays for 7 mos. only	4	10	10	10	10	7	7	58.0
6	Traverse City, MI		0	12	12	12	12	9	0	57.0
7	Ellensburg, WA		4	9	9	9	9	8	4	52.0
8	Dobbs Ferry, NY		0	10	8	10	8	7	7	50.0
9	SEDONA (Added to the list for this comparis		0	8	8	10	8	7	7	48.0
10	Canyon, TX			10	8	8	10	7.5	4	47.5
11	Sebastapol, CA	Sebastapol Regional (Sonoma County Library)	0	0	8	10	8	8	6	40.0

* Criteria included commute times, cost of living, crime rate, quality of schools, entertainment, pollution, community engagement, arts and culture, health of residents and growth rate 2005-2020.

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
Sedona Public Library
Narrative Response**

Question 5 Library Meeting Space was used by the following groups in FY 2016

AARP Foundation Tax Aide	Sedona Recycles
American Red Cross	SedonaKind
Arizona Archaeological Society	Sirius Lookers Astronomy Club
Arizona Community Foundation	Tierra Sierra Homeowners Assoc.
Arroyo Seco Homeowners Association	Verde Valley Archaeology Center
Chamber Music Sedona	Verde Valley Sanctuary
Coconino County Sheriff's Office	Verde Valley Weavers and Spinners
Consulate of Mexico	Veterans History Project
Cross Creek Homeowners Association	Yavapai Food Council
Daughters of the American Revolution	
Democrats of the Red Rocks	
Estates at North Slopes Homeowners	
Embroiderers' Guild of America	
First Things First	
Gardens for Humanity	
Head Start	
High Desert Designers	
Inspiration of Sedona	
Integral Sedona	
International City of Peace	
Jordan Park Homeowners Association	
League of Women Voters	
National Audubon Society	
Nepenthe Homeowners Association	
Northern Arizona Healthcare	
Northern Arizona Watercolor Society	
Oak Creek Apples Macintosh Users	
Oak Creek Watershed Council	
Osher Lifelong Learning Institute (OLLI)	
Red Rock Quilters	
Rotary Club of Sedona	
Sedona Area Garden Club	
Sedona Camera Club	
Sedona Car Club	
Sedona Chamber of Commerce	
Sedona Charter School	
Sedona Gem and Mineral Club	
Sedona Humane Society	
Sedona MUFON	
Sedona Railroaders	

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Narrative Response Question 6**

FY 2012 – 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Circulation					
Number of Items Checked Out	230,761	228,369	245,042	241,312	229,051
Electronic Items Downloaded	N/A	10,491	12,686	14,962	17,669
Total Circulation		238,860	257,728	256,274	246,720
Inter-Library Loan					
<u>Borrowed from:</u>					
Yavapai County Libraries for SPL & VOC	26,189	27,707	30,334	31,404	32,910
Libraries outside the county	640	483	420	413	405
<u>Loaned to:</u>					
Yavapai County libraries	27,756	28,496	28,724	33,247	33,249
Libraries outside the county	571	575	584	552	526
Intra-Library Loans (to VOC)	10,798	11,543	13,252	13,177	12,753
Traffic (From Counter)	193,747	182,258	178,727	177,772	176,500
Hours Worked					
Volunteers	19,097	16,626	14,180	15,797	14,733
Staff	27,348	27,638	28,346	31,289	25,636
Programs					
Quantity	772	831	902	948	843
Attendance	13,580	14,094	13,678	15,935	13,760
Internet Computer Use					
15 minute (Email)	5,136	3,821	3,443	3,316	2,209
60 minute (Internet)	38,014	36,468	33,762	33,560	30,868
30 minute (Children's)	4,427	4,249	2,617	2,883	3,765
AZ Job Computers (NEW)		420	502	305	113
Teen Computer (NEW)		77	335	458	367
Computer sessions for SPL cardholders	36,022	34,467	30,465	29,585	24,944
Computer sessions for Visitors	11,555	10,560	10,194	10,937	12,375
Number of New Cards Issued	1,480	1,286	1,199	1,293	1,196
Total Number of Cardholders	10,917	10,323	8,653	9,329	10,729
Circulation per Cardholder per Year	21	23	29	27	22

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FY 2012 - 2016

	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Physical Collection					
Print	63,198	62,443	62,958	62,762	63,645
Audio	5,003	5,293	5,606	5,757	5,697
Video	5,526	7,504	8,206	8,980	9,178
Electronic (Downloadable) Collection					
Print	N/A	4,073	5,592	7,763	7,172
Audio	N/A	3,019	3,542	4,010	4,355

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
Sedona Public Library
Narrative Response**

Question 6 vi: Comparison to 3 benchmark organizations

The Arizona State Library collects edits and disseminates statistical information on public libraries in the state. Arizona Public Library Statistics for FY 2014- 2015 are the most recent statistics available.

FY2014 - 2015

	<u>Sedona</u>	<u>Page</u>	<u>Cottonwood</u>	<u>Prescott Valley</u>
Population	10,176	7,668	11,532	41,415
Collection				
Print	62,762	70,609	90,009	75,019
Audio	5,757	3,517	5,479	8,424
Video	8,980	5,389	12,304	15,740
Visits to Library	177,772	132,062	397,162	268,601
Circulation	240,677	139,985	230,013	392,752
Library Programs				
Number	955	488	646	770
Attendance	15,931	16,187	6,211	16,170
Internet Computers				
Number Available	30	27	31	91
Sessions	40,522	50,525	30,712	65,497

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Narrative Response**

Question 7: Five Year History Friends of Sedona Library Funding

Fiscal Years 2011 through 2015

	<u>FY2011</u>	<u>FY2012</u>	<u>FY2013</u>	<u>FY2014</u>	<u>FY2015</u>
Amount of funds raised	\$ 228,992	\$ 352,223	\$ 95,511	\$ 282,222	\$ 81,031
Use of funds:					
Fund raising expenses					
and management	\$ 31,196	\$ 28,199	\$ 30,097	\$ 25,020	\$ 22,127
Grants to library	\$ 100,207	\$ 93,010	\$ 113,154	\$ 100,000	\$ 104,950
	<u>\$ 131,403</u>	<u>\$ 121,209</u>	<u>\$ 143,251</u>	<u>\$ 125,020</u>	<u>\$ 127,077</u>
Retained	<u>\$ 97,589</u>	<u>\$ 231,014</u>	<u>\$ (47,740)</u>	<u>\$ 157,202</u>	<u>\$ (46,046)</u>

Friends of Sedona Library, Inc. ("FOL") is a separate not-for-profit corporation with its own independent board of directors, none of which serve on the Board of Trustees of the Library, and whose operations the Sedona Public Library, Inc. neither controls nor directs. The amounts on this schedule are as listed from FOL's tax returns.

Fiscal year is June 1 through May 31

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**Fiscal Year 2018 City of Sedona Service Contract Funding Request
 Sedona Public Library
 Financial Information**

Additional Information: FY 2018 Proposed Budget (Main Library Only)

	<u>FY 2018 Proposed Budget</u>
Revenue	
Donations other than Governmental Support	
Donations	\$ 31,100
Friends of Sedona Library, Inc.	\$ 50,000
Governmental Support	
Coconino County	\$ 417,158
Yavapai County	\$ 229,963
City of Sedona	\$ 656,160
Revenue from Services	\$ 32,700
Total Ordinary Revenue	<u>\$ 1,417,081</u>
 Expense	
Operating Expenses	
Collection Development	\$ 119,300
Administrative and Professional Expense	\$ 50,120
Communications Expense	\$ 28,500
Equipment Expense	\$ 18,326
Facilities Expense	\$ 126,300
Operating Supplies	\$ 15,000
Payroll and Personnel Expense	\$ 1,059,535
Total Operating Expense	<u>\$ 1,417,081</u>
Net Increase/Decrease in Ordinary Assets	<u><u>\$ -</u></u>

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SEDONA PUBLIC LIBRARY AND CITY OF SEDONA AGREEMENT FOR CONTRACTED SERVICES

This AGREEMENT entered into this 11th day of July, 2017, by and between the SEDONA PUBLIC LIBRARY, a non-profit corporation, hereinafter referred to as "Library" and the CITY OF SEDONA, a municipal corporation, hereinafter referred to as "City."

WHEREAS, the City may, pursuant to A.R.S. § 9-411 et seq., otherwise utilize City funds for the benefit of a public library; and

WHEREAS, the Sedona Public Library is part of the public library system created by the Coconino County and Yavapai County Free Library Districts; and

WHEREAS, the City and the Library recognize the need to cooperate in the provision of library services to the residents of the City; and

WHEREAS, the Library operates and maintains a public library and the City desires to contract with the Library for library services for the benefit of the residents of the City.

NOW, THEREFORE, the parties to this Agreement, in consideration of the mutual covenants contained herein, agree as follows:

1. **Term:** The term of this Agreement is for three (3) years from July 1, 2017 to June 30, 2020.
2. **Payment:** The Library and the City acknowledge that the Library services to be provided to Sedona residents are a direct public benefit to the City. The services benefiting the City are set forth below. As consideration for that value, the City agrees to pay to the Library the sum of **Four Hundred and Three Thousand, Seven Hundred and Eighty Dollars (\$403,780)**, subject to the availability of funds from the City, for the first year of the Agreement beginning July 1, 2017 and ending June 30, 2018.

The City agrees to base the funding for the subsequent two years of the Agreement on the FY18 base amount with annual inflationary escalators.

The FY18-19 funding amount will be the **Four Hundred and Three Thousand, Seven Hundred and Eighty Dollars (\$403,780)** base amount, plus the inflationary escalator in accordance with the Bureau of Labor Statistics CPI-U for the West Region for the previous 12 month period ending December of the prior year. The inflationary escalator shall not exceed 5%.

The FY19-20 funding amount will be the FY18-19 base amount plus the inflationary escalator in accordance with the Bureau of Labor Statistics CPI-U for the West Region for the previous 12 month period ending December of the prior year. The inflationary escalator shall not exceed 5%.

The City agrees to make payments to the Library in two (2) installments each year of the Agreement; by the 30th of the month in August and February.

3. **Funding Obligation:** The City's obligation to provide the funding herein stated is conditioned on the availability of funds as provided in the City's annual budget. The City warrants and represents it will not reduce Library's funding during any period because of private donations or other revenue received by Library.
4. **Services** to be provided by the Library:
 - a. Library building will be open 48 hours weekly to serve Sedona residents and visitors and provide:
 1. public access computers
 2. reference and lending materials
 3. meeting rooms for community activities
 4. educational and cultural programs and displays
 - b. Website with access to Yavapai Library Network 24 hours a day, 7 days a week.
5. **Public Access:** All residents of the City shall have full nonexclusive use of the library facilities and services according to the use policies of the library.
6. **Marketing:** The Library shall allow two (2) PowerPoint slides to be utilized on the Library's public slideshow for the purpose of City marketing. The Library will also allow the City to advertise City meetings, programming and activities as requested by City staff.
7. **Financials:** The Library shall use City funds only for library purposes and provide written accounting to the City describing the manner and use of City funds at the City's request. In addition, the Library shall provide a copy of the IRS 990 and a copy of its audited annual financial statements. The City shall have the right to audit the books of the Library at all reasonable times for the purpose of confirming the expenditures of City funds with reasonable notice to the Library.
 - a. The Library agrees to fund the Village of Oak Creek Branch (VOC) independently of City funds. Separate accounting will be maintained for the VOC Branch showing sources of funding and expenditures and presented to the City upon request.
 - b. City funding to the Library will be used for general non-capital purposes, and will not be used to supplant or replace other funding sources.
8. **Reporting:** The Library will provide annual performance reports that will include statistics related to the services described in Section 4. Upon the request of the City Council or City Manager, the Library will provide an annual presentation to City Council on the activities and accomplishments of the agency and the service provision within the City of Sedona. The following metrics will be included as part of the Library's annual reporting to the City:

- a. Public Access Computers
 - 1. Number of sessions
 - b. Reference and Lending Materials
 - 1. Print collection size/downloadable collection size
 - 2. Total circulation
 - i. Number of items checked out
 - ii. Electronic items downloaded
 - 3. Amount of circulation Sedona Public Library compared to circulation within Yavapai Network (inter-library loan)
 - i. Borrowed From/Borrowed To
 - 4. Traffic (From Counter)
 - 5. Total Number of Cardholders (city vs. non-city if available)
 - 6. Number of New Cards Issued
 - 7. Circulation per active cardholder
 - 8. Comparisons to 3 benchmark organizations (preferably northern Arizona comparisons) – (if available)
 - c. Meeting Rooms for Community Activities
 - 1. Number of community organizations using rooms
 - d. Educational and Cultural Programs
 - 1. Number of programs and attendance
 - e. Customer Satisfaction
 - 1. Survey information (if available)
 - 2. Number of volunteer hours worked
 - 3. Number of staff hours worked
9. **Facility Usage:** The Library shall provide use of meeting rooms at no charge to the City for public meetings if the space is available. The City shall provide reasonable notice to the Library to facilitate scheduling of room usage.
10. **City Liaison:** The City will appoint one (1) non-voting liaison to attend the Library Board meetings to provide two-way communication between the City and the Library.
11. **Termination:** Either party may terminate this Agreement, without penalty, upon 30 days written notice to the other. Upon such termination, the parties shall assess the services rendered to the date of termination and the City shall make any necessary payment or Library shall make any necessary reimbursement as may be required so that payment for the services rendered to the date of termination shall have been paid by the City on a proportional basis over the term of the Agreement.
12. **ADA:** The Library must conform to the Americans with Disabilities Act of 1990, including changes made by the ADA Amendments Act of 2008 (P.L. 110-325) (ADA) and the Rehabilitation Act of 1973, as amended. This includes prohibiting discrimination against the handicapped in employment, programs, services and activities and making reasonable accommodations to allow their full and equal

access to all such employment, programs, services, and activities. The Library shall also comply with all other federal, state and local regulations prohibiting unlawful discrimination in employment, Programs, services, activities and contracting.

13. **Legal Compliance:** The Library agrees to comply with all Federal, State, and City laws or regulations applicable to the Library's business or services or to the performance of these services.
14. **Written Changes:** This Agreement contains the entire Agreement of the parties with respect to the subject matters hereof and it may be amended or modified only by an instrument in writing signed by both parties.

- a. Written notices to City shall be sent to:

City Manager
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336

- b. Notices to the Library, shall be addressed to:

Director
Sedona Public Library
3250 White Bear Road
Sedona, AZ 86336

INDEPENDENT CONTRACTOR

1. The parties agree that the Library provides specialized services and that the Library enters this Agreement with the City as an independent contractor. Nothing in this Agreement shall be construed to constitute the Library, nor any of its personnel, volunteers, or directors, as agents, employees, or representatives of the City.
2. As an independent contractor, the Library is solely responsible for all labor and expenses in connection with this Agreement and for any and all damages, which may arise during the operation of this Agreement.
3. The Library shall carry general liability insurance of \$1 million per occurrence/\$2 million aggregate and shall indemnify and hold the City and its officials, employees and agents harmless from any and all claims, demands, actions and causes of action (including administration or alternative dispute resolution proceedings) penalties or costs (including attorney's fees) or liability for damages for personal injury or property damage resulting from the acts or omissions of the Library's officers, directors, agents, employees, or volunteers, in connection with this Agreement or in any way arising from the activities or services of the Library as set forth in this Agreement. The Library shall provide a copy of the insurance certificate, which lists the City of Sedona as an additional insured, to the City Manager's Office prior to the first installment release.

4. It is understood and agreed that the Library is free to contract with other parties or to otherwise provide additional services.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be executed by their duly authorized officials on the aforementioned date.

CITY OF SEDONA

THE SEDONA PUBLIC LIBRARY, INC.

By: _____
Justin Clifton, City Manager

By: _____
President

Date: _____

Date: _____

ATTEST:

ATTEST:

Susan L. Irvine, CMC, City Clerk

By: _____
Treasurer

Date: _____

Date: _____

APPROVED AS TO FORM:

Robert L. Pickels, Jr., City Attorney

Date: _____

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**CITY COUNCIL
AGENDA BILL**

**AB 2259
July 11, 2017
Regular Business**

Agenda Item: 8b
Proposed Action & Subject: Discussion/possible action regarding the distribution of funding awards through the City’s Small Grants Program for the 2018 fiscal year.

Department	City Manager’s Office
Time to Present	10 minutes
Total Time for Item	1 hour
Other Council Meetings	N/A
Exhibits	A. Summary of Funding Recommendations by Organization B. Copies of the complete grant applications are available in the City Clerk’s office for review and are not included due to size

City Attorney Approval	Reviewed 7/3/17 RLP	Expenditure Required
		\$ 161,500
City Manager’s Recommendation	Consider, discuss, and approve recommended awards for the City’s small grants program.	Amount Budgeted
		\$ 161,500
		Account No. 10-5245-01-6720 (Description)
		Finance Approval <input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The City of Sedona created a small grants program in order to encourage and fund activities, programs, or events developed by 501(c) organizations that provide a public service or benefit and are consistent with the City’s funding priorities. Programs, activities, or events may be funded if they contribute to the well-being and prosperity of the City and its residents.

During the FY2018 Budget Work Sessions, City Council approved a \$161,500 allocation, which is an increase from the previous fiscal year funding of \$150,000, for the small grants program. A citizen work group came together to review and make recommendations regarding funding of the FY2018 grant applications.

The citizen participants are as follows:

- Stephanie Giesbrecht – Chair and Program Facilitator
- Bill Cammock, Resident
- Connie Levinson, Resident

- Jennifer Perry, Resident
- Jessica Williamson, Resident and Former City Councilor

Assistant City Manager Karen Daines and Executive Assistant Dianne Springfield served as City staff liaisons to the group but were non-voting members.

Grant Timeline

- Award process opened - February 15, 2017
- Workshop held for potential applicants – March 9, 2017
- Applications due - April 17, 2017
- Citizen work group interviews with applicants – May 31, 2017
- Deliberation of citizen work group – June 1, 2017

Twenty (20) grant applications were received totaling \$225,180 in requests yet one (1) application was disqualified leaving nineteen (19) applications totaling \$210,180 in requests.

The chair of the work group vetted the grant applications for completeness, reproduced and distributed the applicants to the reviewers, led the evaluation process, scheduled the applicant interviews, and summarized committee recommendations for grant awards to the City.

The purpose of this agenda item is to finalize and distribute the FY18 grant awards.

The funding recommendations are as follows:

Organization	Requested	Recommended
Canned Sedona	\$1,100	\$1,100
Chamber Music Sedona	\$15,000	\$7,500
Friends of Sedona Police K9	\$5,000	\$0
Gardens For Humanity	\$1,200	\$1,200
Plan B Foundation	\$15,000	\$7,000
Running River School	\$4,200	\$1,020
Scorpion Booster Club	\$9,525	\$9,525
Sedona Arts Center	\$29,000	\$24,000
Sedona Arts Festival	\$10,000	\$10,000
Sedona Chamber Ballet	\$10,000	\$10,000
Sedona Community Food Bank	\$13,000	\$13,000
Sedona Historical Society	\$4,200	\$4,200
Sedona International Film Festival	\$30,000	\$24,000
Sedona Red Rock Trail Fund	\$10,000	\$10,000
Sedona Swim Team	\$8,000	\$0
Sedona Visual Artists Coalition	\$15,000	\$11,000
Sedona Winefest	\$10,000	\$8,000
Verde Valley Sinfonietta	\$10,000	\$10,000
Yavapai Big Brothers & Big Sisters	\$9,955	\$9,955
Total	\$210,180	\$161,500

Exhibit A was prepared by Committee Chairman Stephanie Giesbrecht, provides a synopsis of each grant application, a summary of the discussion and deliberation by the Committee regarding each application, and funding recommendations.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Modify existing funding recommendations for the various applicants.

MOTION

I move to: approve the Grant Evaluation Committee Fiscal Year 2018 recommendations in the total amount of \$161,500 as itemized in Agenda Bill 2259.

Approve Fiscal Year 2018 small grant awards in the total amount of \$_____, in accordance with the Grant Evaluation Committee recommendations as itemized in Agenda Bill 2259, with the following exceptions:

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**CITY OF SEDONA SMALL GRANTS REVIEW COMMITTEE RECOMMENDATIONS
FISCAL YEAR 2018**

Organization	Requested	Recommended	
Canned Sedona	\$1,100	\$1,100	
<p>Canned Sedona is in its fourth year of offering their cooking competition. This is the first time this group has applied for City funding. The proceeds from this event benefit Sedona Food Bank and 4 other local charities. The 4 other local charities change each year. This effort was started and has been sustained by a small core of volunteer with private dollars. The event consists of three parts typically with 50/50/150 attendees respectively. Total dollars raised has been \$3,500, plus a can of food donated as part of the entry fee. The canned food goes to the Sedona Food bank. Though the paid attendance is small, the events are held outdoors at Tlaquepaque, so in addition to paid attendance, there are an undocumented number of on-lookers. Based on feedback from attendees the past 3 years, the event organizers would like to add a VIP tent this year to allow those willing to pay a higher ticket price to watch the competition in greater comfort and view the chefs in action on closed circuit TV. The closed circuit TV will provide better viewing as those attendees will not be competing with the standing crowd surrounding the chefs' competition dais. The main event is scheduled this year for Sunday, October 1st. Canned Sedona offers a new and innovative "festival" in step with Sedona's focus on food and wine and which directly benefits 5 local charities each year.</p>			
Chamber Music	\$15,000	\$7,500	
<p>Chamber Music continues to present unique musical offerings to Sedona. The bolstering of their Trustees is commendable and shows commitment by the organization to maintaining and growing its community support and continued programming. Their efforts are appreciated and recognized.</p>			
Friends of Sedona Police K9	\$5,000	\$-0-	
<p>The reason the recommendation is for no award in this case, is largely based on the fact the City was approached by a group on a similar recognition monument project in the fairly recent past. At that time, the City had volunteered to fund the base and provide on-going maintenance for the statue. This information was given to the committee during its deliberation by the Assistant City Manager. Also, during the applicant's in-person presentation, the group's representative acknowledged that likely, enough money could be raised by fundraising activities to fund the statue without a City award. The committee would like to see the "Friends" organization request the City to renew that offer in lieu of receiving small grants monies this year.</p>			
Gardens for Humanity	\$1,200	\$1,200	
<p>These monies will allow Gardens to continue its successful earth/plant/nutritious food education of middle-school children using various expressive mediums including art crafts, music, art, and dance.</p>			

Organization	Requested	Recommended	
Plan B Foundation	\$15,000	\$7,000	
<p>This Foundation introduced the educational “Wolf Week” last year. The event was well received by the community offering adult and child-focused interactive events to over 1,100 participants and selling out several showings of its film in collaboration with the Sedona Film Festival. The committee recommends supporting this new and unique event.</p>			
Running River School	\$4,200	\$1,020	
<p>The Running River private school introduced three family-oriented activities open to community families at no charge. These events have been put on by school staff and student parents. Running River would like to expand and sophisticate these events. The committee recognizes family events in Sedona are an important part of the City’s fabric and would like to support the school’s efforts in this regard. The funding request was for monies to expand those three events. Since this is a new request by a group with whom the City has no experience, the committee recommends funding one event at this time. Running River had intended to also use these events as a student recruitment platform. The recommended contingency for awarding this grant is that the events be solely for the purpose of community engagement with no additional school agenda.</p>			
Scorpion Booster Club	\$9,525	\$9,525	
<p>The Booster Club applicants presented a plan to expand and strengthen an already successful strings program previously launched at Sedona Charter School, by purchasing instruments and musical equipment for the high school which will owned by the school district and available for any SPAC user. Currently, the string instruments used by the students are the property of the strings teacher. Should she depart, the string instruments would go with her and this popular program would die. This effort is one part of the Booster Club’s support of education in Sedona schools by bolstering programs in academics, arts and athletics. The Club uses several collaborative and fundraising strategies to accomplish its goals. The group is well-organized, focused and highly energetic.</p>			
Sedona Arts Center	\$29,000	\$24,000	
<p>Sedona Arts Center is scheduled to offer many art-related activities and events to the community, at no charge, in celebration of its 60th anniversary. SAC events and programs are always well-organized, well-attended, and contribute to the City’s dedication to the arts. Full funding would have been recommended if monies were available.</p>			
Sedona Arts Festival	\$10,000	\$10,000	
<p>In addition to assisting with festival weekend operating costs, the Festival is adding a Juried Gallery Exhibit to promote local artists and to assist them in showing and selling their art without the costs of setting up individual booths. These booth costs are prohibitive to many of the excellent local artists who make up our art community. This event is a signature community event, always well-organized and of high quality.</p>			

Organization	Requested	Recommended	
Sedona Chamber Ballet	\$10,000	\$10,000	
<p>Sedona Chamber Ballet's Nutcracker continues to be the only annual professional-caliber dance production offered in Sedona, and continues to grow its attendance and produce better revenues from snack bar and souvenir sales. This production would pay for itself this year. However, last year Chamber Ballet offered 3 other community dance programs featuring internationally-known professional dancers to expand theatre dance presence in Sedona. The added expense of these productions and the larger negative impact of losing \$8,000 in SPAC-expense subsidy from a private community organization, has put this year's Nutcracker production in jeopardy of being cancelled. The committee recommends full funding in order to preserve the Nutcracker and encourage Sedona Chamber Ballet to continue its efforts to bring the highest level of theatre dance production to Sedona.</p>			
Sedona Community Food Bank	\$13,000	\$13,000	
<p>This funding will assist Sedona Food Bank with 50% of the cost it currently incurs delivering food boxes to 50 homebound persons, 33 in Sedona and 16 in VOC. This food delivery allows persons unable to leave their homes to nutritional food they would not otherwise have access.</p>			
Sedona Historical Society	\$4,200	\$4,200	
<p>These monies will allow the Historical Society the ability to enhance its annual Veteran's Day celebration by adding low cost entertainment (\$800, an addition of \$200 from previous years). Of the additional monies requested, \$3,800, will pay to bring water to Cook's cemetery, located off Airport road. Cook's cemetery is a City-designated historical landmark owned by the Historical Society. Currently, there is no water to the cemetery which makes maintaining the cemetery extremely difficult and beyond the physical capacity of older volunteers. Water is needed at this historic cemetery to keep it maintained to a standard acceptable for resident and visitor viewing.</p>			
Sedona International Film Festival	\$30,000	\$24,000	
<p>This Film Festival funding will support 4 essential Festival elements. Regular, aggressive Festival advertising to local and regional markets, assistance with opening night kick-off event, assistance with retaining Met LIVE and new alternative content programming, and on-going free community film nights at MD Fisher. The marketing funding is especially critical this year due to the Festival having to use its available cash to pay due debt, strapping current Festival cash flow which would provide the necessary monies to pay for the local and regional marketing. This marketing needs to start early and continue regularly until Festival.in February. Even though the Festival has significant local participation, without out-of-town visitors, the Festival would be unable to continue providing the quality event residents of the community enjoy.</p>			

Organization	Requested	Recommended	
Sedona RR Trail Fund	\$10,000	\$10,000	
<p>The committee recognizes the importance and high use of our Sedona trails by its locals and visitors. This funding would be used to replace 5-7 rotted and broken wooden high-traffic trailhead kiosks within City limits with virtually indestructible metal kiosks. Funding for this project is unavailable from any other program or sector. The trailheads are outside the RR Pass Fee program, and available USFS and RR Trail fund monies are already committed.</p>			
Sedona Swim Team	\$8,000	\$0	
<p>This request from the Swim Team was specifically for funding the heating of the City pool during winter months. It appears there has been leadership change in this organization which did not have access to this organization's past requests. The City previously, on more than one occasion, has made the conscious decision not to fund heating of this pool during the winter months. The committee felt obligated to respect this decision.</p>			
Sedona Visual Arts Coalition	\$15,000	\$11,000	
<p>The Coalition has done an excellent job the past couple of years organizing, presenting and tracking its Open Studios tours. The committee would be in favor of supporting an additional tour in Fall should the monies have been available.</p>			
Sedona Winefest	\$10,000	\$8,000	
<p>The annual Winefest is enjoyed by many and is the only wine-based event in Sedona. Full funding would have been recommended should more monies have been available.</p>			
Verde Valley Sinfonietta	\$10,000	\$10,000	
<p>The Sinfonietta is seeking funding this year to bring a new music offering to Sedona in collaboration with the VV Archaeology Center to mark Native American Heritage Month. The concert will feature a renowned native American artist, and an award-winning performer of the Native American flute set to perform two works written specifically for him to perform with an orchestra. This offering brings a new music dynamic to Sedona.</p>			
Yavapai Big Brothers & Big Sisters	\$9,955	\$9,955	
<p>The committee recommends full funding for this organization for recruitment of 11 new mentors for Sedona to support upcoming anticipated match needs, achieve 6 new "Big" / "Little" matches in the City of Sedona and to help support the current 11 Sedona matches</p>			
	Requested	Recommended	
Total:	210,180	\$161,500	