

AGENDA

4:30 P.M.

CITY OF SEDONA, CITY COUNCIL MEETING

TUESDAY, NOVEMBER 14, 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 = 

- a. Minutes - October 24, 2017 City Council Regular Meeting. 
- b. Minutes - October 25, 2017 City Council Special Meeting. 
- c. Approval of Proclamation, Small Business Saturday, November 25, 2017. 
- d. AB 2258 Approval of an Extension of Premises/Patio Permit for Whole Foods Market located at 1420 West Hwy 89A, Sedona, AZ (License #07130041). 
- e. AB 2309 Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 10 Beer & Wine Store Liquor License for Whole Foods Market, 1420 W HWY 89A, Sedona, AZ (License #10133273). 
- f. AB 2310 Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 7 Beer & Wine Bar Liquor License for Whole Foods Market, 1420 W HWY 89A, Sedona, AZ (License #07130041). 
- g. AB 2313 Approval of recommendation regarding a new Series 03 In-State Microbrewery Liquor License application for Sedona Beer Company located at 465 Jordan Road, Ste. 7, Sedona, AZ (License #03033016). 
- h. AB 2316 Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 9 Liquor Store Liquor License for Bashas' #28, 160 Coffee Pot, Sedona, AZ (License #09130003S). 
- i. AB 2304 Approval to authorize the Mayor to form a City Council Committee to review the City's Small Grant Awards Program and make recommendations for changes to that program. 

4. APPOINTMENTS

- a. AB 2314 Discussion/possible action regarding the appointment of a commissioner to the Historic Preservation Commission. 


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

- a. AB 2308 Public hearing/presentation regarding the City of Sedona Development Impact Fee Audit Report for Fiscal Years 2014-15 and 2015-16. 

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.

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- b. AB 2306 **Discussion/possible action** to authorize an amendment to the Development Agreement with Armstrong Development Properties, Inc. (Case Number: PZ17-00014) for expansion of operating hours for CVS pharmacy to allow operation between 7 a.m. and 10 p.m., subject to legal review. 
- c. AB 2311 **Discussion/possible action** regarding the adoption of a resolution approving a revised City Fund Balance Policy. 
- d. AB 2312 **Discussion/possible action** regarding the adoption of a resolution approving a City Debt Management Policy. 
- e. AB 2317 **Discussion/possible direction** regarding potential expenditures related to minor transportation projects. 
- f. **Reports/discussion** on Council assignments.
- g. **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:

- 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.

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**

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, October 24, 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, and Councilor Joe Vernier.

Staff Present: Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Associate Attorney Robert Pollock, Director of Community Development Audree Juhlin, Senior Planner Cari Meyer, Director of Public Works and City Engineer Andy Dickey, Associate Engineer James Crowley, Director of Finance Cherie Wright, Lieutenant Lucas Wilcoxson, City Clerk Susan Irvine.

2. City's Vision

A video of the City's Vision was played.

3. Consent Items

- a. **Minutes - October 10, 2017 City Council Regular Meeting.**
- b. **Minutes - October 11, 2017 City Council Special Meeting.**
- c. **Minutes - October 11, 2017 City Council Special Meeting.**
- d. **AB 2297 Approval of a Special Event Liquor License for Wheels on the Ground Inc. for the mountain bike festival scheduled for Friday, March 2, 2018, through Sunday, March 4, 2018 from 12:00 to 8:00 p.m. each day located at Posse Grounds Park, 525 Posse Grounds Road, Sedona, AZ.**
- e. **AB 2298 Approval of a Resolution to remove the schedule for development (conditions) of zone change PZ13-00012, concerning the property at 140 Navajo Drive, APN 408-24-496C, pursuant to A.R.S. § 9-462.01.E.**

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

4. Appointments – None.

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

Vice Mayor Martinez stated that there will be no Yappy Hour this Sunday, and the time for future Yappy Hours is now 9:00 a.m. Councilor Thompson stated that November 7th is Election Day and encouraged everyone to vote.

6. Public Forum – None.

Olin Robie, Sedona, spoke about the off-leash dog issue at the park and offered his efforts as volunteer to attempt to find a resolution that would work for all.

7. Proclamations, Recognitions, and Awards – None.

8. Regular Business

a. AB 2301 Discussion/possible direction regarding short term vacation rentals and the effects of SB1350 in Sedona.

Presentation by Robert Pickels, Jr., Audree Juhlin, Karen Osburn, and Cherie Wright.

Questions from Council.

Opened to the public at 5:31 p.m.

The following spoke on this item: Peter Sorando, Sedona, Suzi Heath, Sedona, Christie Carroll-Weprin, Sedona, Sean Donovan, Sedona, Steve Segner, Sedona, Pat Vizina, Sedona, Michele Weston, Sedona, Jonathan Earle, Sedona, Mary Parker Brosnahan, Sedona.

Brought back to Council at 5:55 p.m.

Further questions and comments from Council.

By majority consensus, Council directed staff to pursue contact with the state legislators regarding the tax issues and for staff to continue to monitor this issue and bring back to Council if it is determined necessary by staff.

Break at 6:09 pm. Reconvened at 6:29 p.m.

b. AB 2304 Discussion/possible direction regarding the City's small grant annual award and funding process.

Presentation by Karen Osburn and Robert Pickels, Jr.

Questions and comments from Council.

By majority consensus, Council directed staff to bring the formation of a Council subcommittee back for consideration at the next meeting.

c. Reports/discussion on Council assignments – None.

d. Discussion/possible action on future meeting/agenda items

Mayor Moriarty advised that there is a meeting tomorrow at 3:00 p.m.

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 7:21 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on October 24, 2017.

Susan L. Irvine, CMC, City Clerk

Date

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Action Minutes
Special City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Wednesday, October 25, 2017, 3:00 p.m.

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

Mayor Moriarty called the meeting to order at 3:00 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, and Councilor Joe Vernier.

Staff Present: Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Associate City Attorney Robert Pollock, Director of Planning and Zoning Audree Juhlin, Senior Planner Mike Raber, Senior Planner Cari Meyer, Associate Engineer James Crowley, Director of Public Works and Engineering Andy Dickey, Assistant Engineer Ryan Mortillaro, Senior Planner Cynthia Lovely, City Clerk Susan Irvine, Deputy City Clerk JoAnne Cook.

3. Special Business

- a. **AB 2292 Public hearing/discussion/possible action regarding an application for a Major Community Plan Amendment to the Future Land Use Map from “Single Family Low Density (.5-2 DU/AC)” to “Planned Area (PA)” and Zone Change from “Single Family Residential (RS-18b)” to “Planned Development (PD)” to allow for the production of hard cider within the existing buildings. The property is located at 145 Copper Cliffs Lane, west of State Route 179 near the Canyon Drive roundabout. APN: 401-26-004 Applicant: John R. Graham Case Number: PZ17-00007 (Major CPA, ZC).**

Presentation by Audree Juhlin and Mike Raber, and Cari Meyer.

Questions from Council.

Opened the public hearing at 3:10 p.m.

No comments were heard.

Closed the public hearing and brought back to Council at 3:10 p.m.

Comments and questions from Council.

Motion: Councilor Thompson moved to approve Resolution No. 2017-22, amending the Sedona Community Plan Future Land Use Map by re-designating the subject property from Single-family Low Density Residential to Planned Area as amended. Seconded by Councilor Jablow Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Motion: Councilor Thompson moved to approve Resolution No. 2017-23, creating a public record entitled “PZ 17-00007 Sedona Hard Cider, Zoning Map, Legal Description and Conditions of Approval” as amended. Seconded by Councilor

Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

Motion: After first reading, Councilor Thompson moved to approve Ordinance No. 2017-07 regarding Case Number PZ 17-00007 (ZC), rezoning the property identified herein from its present designation of RS-18b (Single-family Residential) to PD (Planned Development), based on conformance with the requirements for approval of a zone change, consistency and conformance with the Community Plan and subject to all applicable ordinance requirements as amended. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor and zero (0) opposed.

- b. AB 2293 Public hearing/discussion/possible action regarding a proposed Major Community Plan Amendment to the text of the Land Use, Housing and Growth Chapter (Chapter 3) to create a Multi-family High Density designation allowing for consideration of more than 12 dwelling units per acre for development projects that provide strategies for achieving housing diversity, affordability, and availability in order to address local housing needs. No specific properties have been identified or are being re-designated as part of this proposed amendment. A separate, privately-initiated Major amendment request for a Multi-family High Density apartment project (PZ 17-00009) is contingent upon this proposed text amendment. Applicant: City of Sedona. Case Number: PZ 17-00008 (Major CPA).**

Presentation by Mike Raber and Cari Meyer.

Questions from Council.

Opened the public hearing at 4:06 p.m.

The following spoke on this item: Marie Brown, Sedona, Jenn Thompson, Sedona, Linda Martinez, Sedona, Ed Conway, Sedona, Ron Martinez, Sedona, Jessica Williamson, Sedona, Jennifer Wesselhoff, Sedona, Alice Madar, Sedona, Jennifer Chilton, Cottonwood, Christine McCabe, Sedona, Daniel Daoust, Cottonwood, Barbara Litrell, Sedona, Rose Boerner, Sedona, Nicole Rosas, Clarkdale, Tracey McConnell, Cottonwood, and Steve Segner, Sedona.

Closed the public hearing and brought back to Council at 4:41 p.m.

Comments and questions from Council.

Motion: Vice Mayor Martinez moved to approve Resolution No. 2017-24, amending the Sedona Community Plan text to create a Multi-family High Density designation allowing for consideration of more than 12 dwelling units per acre for projects that provide strategies to address local housing needs. Seconded by Councilor Jablow. Vote: Motion carried with six (6) in favor and 1 (one) opposed. Councilor Currivan opposed.

Break at 5:00 p.m. Reconvened at 5:25 p.m.

- c. AB 2294 Public hearing/discussion/possible action regarding an application for a Major Community Plan Amendment to the Future Land Use Map from “Commercial”, within the Lodging Area Limits to “Multi-**

Family High Density (Greater than 12 DU/AC)” and outside the Lodging Area Limits to allow for the development of a 45 unit apartment complex. The property is located at 3285 W State Route 89A, at the southeastern corner of the intersection of W State Route 89A and Pinon Drive. APN: 408-11-086A Applicant: Keith Holben, MK Company, Inc. Case Number: PZ17-00009 (Major CPA).

Presentation by Cari Meyer and applicant Keith Holben, MK Company, Inc.

Questions from Council.

Opened the public hearing at 5:59 p.m.

The following spoke on this item: Joseph DeSalvo, Sedona, Marie Brown, Sedona, Bill Gunning, Sedona, Linda Martinez, Sedona, Ed Conway, Sedona, Ron Martinez, Sedona, Alice Madar, Sedona, Jennifer Chilton, Cottonwood, Nicole Rosas, Clarkdale, Steve Segner, Sedona, and Bill Chisholm, Sedona.

Closed public hearing and brought back to Council at 6:19 p.m.

Comments and questions from Council.

Motion: Councilor Jablow moved to approve Resolution No. 2017-25, amending the Sedona Community Plan Future Land Use Map by re-designating the subject property from Commercial, within the Lodging Area Limits, to Multi-family High Density and outside of the Lodging Area Limits. Seconded by Councilor Thompson. Vote: Motion carried unanimously with seven (7) in favor and (0) opposed.

- d. **AB 2295 Public hearing/discussion/possible action regarding: a) An application for a Major Community Plan Amendment to the Future Land Use Map from “Single Family Low Density (.5-2 DU/AC)” to “Planned Area (PA)” to allow for the consideration of a future rezoning to potentially allow a parking lot to serve the adjacent conditionally allowed commercial use; and b) A Development Agreement regarding use restrictions for the subject parcel. The property is located at 1535 State Route 179, on the western side of State Route 179 south of Arrow Drive. APN: 401-31-011 Applicant: Francis J. Slavin, Esq. and Heather N. Dukes, Esq., Francis J. Slavin, PC Case Number: PZ17-00010 (Major CPA).**

Presentation by Audree Juhlin, and applicant Francis J. Slavin, Esq. and Rio Robson.

Questions from Council.

Opened the public hearing at 7:56 p.m.

The following spoke on this item: Eric Shrode, Sedona, Christine Adams, Sedona, Judy Reddington, Sedona, Scott Schroeder, Sedona, Meri Thomason, Sedona, Karen Farmer, Sedona, Rob Adams, Sedona, Maureen Nealon, Sedona, Edward Gummow, Sedona, Paul Kaiser, Sedona, Jeff Moore, Sedona, James Hansen, Showlow, Stephen Hancock, Sedona, Shirley (Wilcox) Tolley, Sedona, Rick Rosenzweig, Sedona, Denise Barnhart, Sedona, Pat Currivan, Sedona, and Nancie Plum, Sedona.

Closed the public hearing and brought back to Council at 8:41 p.m.

Questions and comments from Council.

Motion: Councilor Thompson moved to deny case number PZ 17-00010 (Major CPA) amending the Sedona Community Plan Future Land Use Map by re-designating the subject property from Single-family Low Density Residential to Planned Area. Seconded by Councilor Jablow. Motion carried with six (6) in favor and one (1) opposed. Councilor Currivan opposed.

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

4. 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.

5. Adjournment

Mayor Moriarty adjourned the meeting at 9:05 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on October 25, 2017.

JoAnne Cook, Deputy City Clerk

Date



City of Sedona Proclamation Request Form

Full Name of Contact Person	Pam Woo
Contact Phone Number	415-434-4314
Contact Mailing Address	PO Box 31279, San Francisco, CA 94131
Contact Email Address	pwoo@wipp.org
Group, Organization, Activity or Event Being Recognized (Please make sure you provide complete and current information about the group or event)	<p>The Small Business Saturday Coalition is seeking your support for Small Business Saturday, the national effort to encourage consumers to shop at local independently owned businesses on the Saturday after Thanksgiving, November 25, 2017.</p> <p>Specifically we request that your office issue a proclamation promoting Small Business Saturday in Sedona. As a supporting community, you will be listed on the ShopSmall.com website.</p>
Website Address (if applicable)	http://www.shopsmall.com
Name of the sponsor(s) of the Proclamation (2 Council members or the City Manager)	Mayor Moriarty Vice Mayor Martinez
What is the proclaimed day, days, week or month? (e.g. 10/11/12, October 11-17, 2012, October 2012)	November 25, 2017
Would you like to attend a Council meeting for formal presentation of the Proclamation or would you like to pick it up?	<input type="checkbox"/> Presentation at Meeting <input type="checkbox"/> Pick up Proclamation X mailed or emailed, pls.
If you would like the Proclamation presented at a Council meeting, please provide the full name and contact information (phone number and email address) of the party who will accept it on behalf of the group.	

Provide information about the organization/event including a mission statement, founding date, location and achievements.

Small Business Saturday was created in 2010 in response to small business owners' most pressing need: more customers. Falling between Black Friday and Cyber Monday, it's a day to support the local businesses that create jobs, boost the economy and preserve neighborhoods around the country. It has since become a well-known, celebrated event on the nation's calendar with support from elected officials and public and private organizations.

In 2016, 650+ Mayors and City Officials joined together to support Small Business Saturday. Below are some highlights of the success mayors helped create last year:

- Consumers aware of Small Business Saturday spent a total of \$15.4 billion with independent merchants on Small Business Saturday.
- Over 485 organizations joined the Small Business Saturday Coalition.
- More than 112 million consumers shopped at small businesses on Small Business Saturday.
- More than 6,700 Neighborhood Champions around the country rallied local businesses and created events in their communities.
- For the sixth consecutive year the U.S. Senate issued a proclamation supporting the day.

Please explain why this Proclamation and any events accompanying it are important to the Community and are consistent with the City's vision statement and Community Plan goals. What is the clear reason for the Proclamation and why are you requesting this honor? What activities/events are planned around this Proclamation and how do you plan to promote this to the community?

- Demonstrates commitment to the communities in which we live
- Creates goodwill within the communities
- When we support small businesses, jobs are created and local communities preserve their unique culture

Please include a draft of the proposed Proclamation with this request, preferably a Word file in electronic format.

Office of the Mayor
City of Sedona, Arizona



Proclamation
Small Business Saturday, November 25, 2017

Whereas, the government of Sedona, Arizona celebrates our local small businesses and the contributions they make to our local economy and community; and

Whereas, according to the United States Small Business Administration, there are currently 28.8 million small businesses in the United States that represent 99.7 percent of all businesses with employees and are responsible for 63 percent of net new jobs created over the past 20 years; and

Whereas, small businesses employ 48% of the employees in the private sector in the United States; and

Whereas, on average, 33% of consumers' holiday shopping will be done at small, independently-owned retailers and restaurants; and

Whereas, 91% of all consumers believe that supporting small, independently-owned restaurants and bars is important; and

Whereas, 76% of all consumers plan to go to one or more small businesses as part of their holiday shopping; and

Whereas, Sedona, Arizona supports our local businesses that create jobs, boost our local economy, and preserve our neighborhoods; and

Whereas, advocacy groups as well as public and private organizations across the country have endorsed the Saturday after Thanksgiving as Small Business Saturday.

NOW, THEREFORE, I, SANDY MORIARTY, MAYOR OF THE CITY OF SEDONA, ARIZONA, ON BEHALF OF THE SEDONA CITY COUNCIL, do hereby proclaim November 25, 2017 as Small Business Saturday and urge the residents of our community, and communities across the country, to support small businesses and merchants on Small Business Saturday and throughout the year.

Issued this 14th day of November, 2017.

Sandra J. Moriarty, Mayor

ATTEST:

Susan L. Irvine, CMC, City Clerk

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**CITY COUNCIL
AGENDA BILL**

**AB 2258
November 14, 2017
Consent Items**

Agenda Item: 3d
Proposed Action & Subject: Approval of an Extension of Premises/Patio Permit for Whole Foods Market located at 1420 West Hwy 89A, Sedona, AZ (License #07130041).

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve Extension of Premises/Patio Permit for Whole Foods Market.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require Sedona's City Council to forward a recommendation for approval or denial of applications for liquor licenses.

The Whole Foods Market has submitted an application for an Extension of Premises/Patio permit to include a patio area on the exterior of their licensed premises applicable to their Series 7 Beer and Wine Bar Liquor License (License #07130041). The Whole Foods Market is located at 1420 West Hwy 89A, Sedona, AZ. The Whole Foods Market would like to expand their seating to the patio and to allow for consumption of beer and wine on the patio. In order for this additional space to be included in the approved Series 7 Liquor License, the Whole Foods Market is required to submit and receive a recommendation for an Extension of Premises/Patio permit from the local authority. City Council is being asked to forward a recommendation for approval or denial for this application.

The beer and wine bar (series 7) liquor license is a "quota" license available only through the Liquor License Lottery or for purchase on the open market. Once issued, this liquor license is transferable from person to person and/or location to location within the same county and allows the holder both on- & off-sale retail privileges. This license allows a beer and wine bar

retailer to sell and serve beer and wine (no other spirituous liquors), primarily by individual portions, to be consumed on the premises and in the original container for consumption on or off the premises.

Community Development, Finance, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application and no objections were noted.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Do not recommend approval of an Extension of Premises/Patio Permit for Whole Foods Market located at 1420 West Hwy 89A, Sedona, AZ (License #07130041).

MOTION

I move to: recommend approval of an Extension of Premises/Patio Permit for Whole Foods Market located at 1420 West Hwy 89A, Sedona, AZ (License #07130041).



**CITY COUNCIL
AGENDA BILL**

**AB 2309
November 14, 2017
Consent Items**

Agenda Item: 3e
Proposed Action & Subject: Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 10 Beer & Wine Store Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #10133273).

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a Liquor License Agent Change/Acquisition of Control application for Whole Foods Market.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require Sedona's City Council to forward a recommendation for approval or denial of applications for liquor licenses.

Whole Foods Market has submitted a Liquor License application for an acquisition of control for Whole Foods Market located at 1420 W Hwy 89A, Sedona, AZ (License #10133273). This is required by Arizona Department of Liquor Licenses and Control if a person other than those persons originally licensed acquires control over a license or licensee. The responsible person is required to file this notice within thirty business days after the acquisition of control and include a list of officers, directors, or other controlling persons Whole Foods Market had a change in ownership due to a purchase and as a result, the structure is different than it was in the existing liquor license. There are no changes, with the exception of the change in the responsible persons for the liquor license.

On receipt of notice of an acquisition of control, the State forwards the notice to the local governing body. The local governing body may protest the acquisition of control within sixty days based on the capability, reliability, and qualification of the person(s) acquiring control.

If the Director of the Arizona Department of Liquor Licenses and Control does not receive any protests, the Director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability, and qualification of the person(s) acquiring control. Any protest shall be set for a hearing before the State hearing board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person(s) who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to Section 4 202 and this section with respect to capability, reliability, and qualification.

Community Development, Finance, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application and did not note any objections regarding its approval.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Recommend denial of the Liquor License Agent Change/Acquisition of Control application for the Series 10 Beer & Wine Store Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #10133273).

MOTION

I move to: recommend approval of the Liquor License Agent Change/Acquisition of Control application for the Series 10 Beer & Wine Store Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #10133273).



**CITY COUNCIL
AGENDA BILL**

**AB 2310
November 14, 2017
Consent Items**

Agenda Item: 3f
Proposed Action & Subject: Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 7 Beer & Wine Bar Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #07130041).

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a Liquor License Agent Change/Acquisition of Control for Whole Foods Market.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require Sedona's City Council to forward a recommendation for approval or denial of applications for liquor licenses.

Whole Foods Market has submitted a Liquor License application for an acquisition of control for Whole Foods Market located at 1420 W Hwy 89A, Sedona, AZ (License #07130041). This is required by Arizona Department of Liquor Licenses and Control if a person other than those persons originally licensed acquires control over a license or licensee. The responsible person is required to file this notice within thirty business days after the acquisition of control and include a list of officers, directors, or other controlling persons Whole Foods Market had a change in ownership due to a purchase and as a result, the structure is different than it was in the existing liquor license. There are no changes, with the exception of the change in the responsible persons for the liquor license.

On receipt of notice of an acquisition of control, the State forwards the notice to the local governing body. The local governing body may protest the acquisition of control within sixty days based on the capability, reliability, and qualification of the person(s) acquiring control.

If the Director of the Arizona Department of Liquor Licenses and Control does not receive any protests, the Director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability, and qualification of the person(s) acquiring control. Any protest shall be set for a hearing before the State hearing board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person(s) who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to Section 4 202 and this section with respect to capability, reliability, and qualification.

Community Development, Finance, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application and did not note any objections regarding its approval.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Recommend denial of the Liquor License Agent Change/Acquisition of Control application for the Series 7 Beer & Wine Bar Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #07130041).

MOTION

I move to: recommend approval of the Liquor License Agent Change/Acquisition of Control application for the Series 7 Beer & Wine Bar Liquor License for Whole Foods Market, 1420 W Hwy 89A, Sedona, AZ (License #07130041).



**CITY COUNCIL
AGENDA BILL**

**AB 2313
November 14, 2017
Consent Items**

Agenda Item: 3g
Proposed Action & Subject: Approval of recommendation regarding a new Series 03 In-State Microbrewery Liquor License application for Sedona Beer Company located at 465 Jordan Road, Ste. 7, Sedona, AZ (License #03033016).

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a new Series 03 In-State Microbrewery Liquor License for Sedona Beer Company	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require Sedona's City Council to forward a recommendation for approval or denial of applications for liquor licenses.

The City has received an application for a new Series 3 Liquor License for Sedona Beer Company located at 465 Jordan Road, Ste. 7, Sedona, AZ (License # 03033016). The liquor license application is available for review and inspection in the City Clerk's office or by email.

Sedona Beer Company has submitted an application for a Series 3 Liquor License application. This non-transferable liquor license allows for on & off-sale retail privileges for a licensed in-state microbrewery which produces more than 5,000 gallons, and less than 6,240,000, of beer during the 12-month reporting period (A.R.S. §205.08(B)). Sales of beer produced by other microbreweries may not exceed 20% of the licensee's annual sales by volume on the licensed premises. With this license, when production is no more than 1,240,000 gallons per calendar year, the in-state microbrewery may make sales and deliveries of beer to any retail license licensed to sell beer except for its retail licenses on or adjacent to the microbrewery.

Community Development, Finance, the Sedona Police department (SPD), and Sedona Fire District (SFD) have conducted a review of the application. No objections regarding its approval were noted.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Recommend denial of a new Series 03 In-State Microbrewery Liquor License application for Sedona Beer Company located at 465 Jordan Road, Ste. 7, Sedona, AZ (License #03033016).

MOTION

I move to: recommend approval of the new Series 03 In-State Microbrewery Liquor License application for Sedona Beer Company located at 465 Jordan Road, Ste. 7, Sedona, AZ (License #03033016).



**CITY COUNCIL
AGENDA BILL**

**AB 2316
November 14, 2017
Consent Items**

Agenda Item: 3h

Proposed Action & Subject: Approval of a recommendation regarding a Liquor License Agent Change/Acquisition of Control application for the Series 9 Liquor Store Liquor License for Bashas' #28, 160 Coffee Pot, Sedona, AZ (License #09130003S).

Department	City Clerk
Time to Present	N/A
Total Time for Item	
Other Council Meetings	N/A
Exhibits	Liquor License Application is available for review in the City Clerk's office.

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	
		\$ 0	
City Manager's Recommendation	Approve a Liquor License Agent Change/Acquisition of Control application for Bashas' #28.	Amount Budgeted	
		\$ 0	
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: State liquor laws require Sedona's City Council to forward a recommendation for approval or denial of applications for liquor licenses.

Bashas' Inc. has submitted a Liquor License application for an acquisition of control for Bashas' #28 located at 160 Coffee Pot, Sedona, AZ (License #09130003S). This is required by Arizona Department of Liquor Licenses and Control if a person other than those persons originally licensed acquires control over a license or licensee. The responsible person is required to file this notice within thirty business days after the acquisition of control and include a list of officers, directors, or other controlling persons Bashas' Inc., had a change in members, and as a result, the structure is different than it was in the existing liquor license. There are no changes, with the exception of the change in the responsible persons for the liquor license.

On receipt of notice of an acquisition of control, the State forwards the notice to the local governing body. The local governing body may protest the acquisition of control within sixty days based on the capability, reliability, and qualification of the person(s) acquiring control.

If the Director of the Arizona Department of Liquor Licenses and Control does not receive any protests, the Director may protest the acquisition of control or approve the acquisition of control based on the capability, reliability, and qualification of the person(s) acquiring control. Any protest shall be set for a hearing before the State hearing board. Any transfer shall be approved or disapproved within one hundred five days of the filing of the notice of acquisition of control. The person(s) who has acquired control of a license or licensee has the burden of an original application at the hearing, and the board shall make its determination pursuant to Section 4 202 and this section with respect to capability, reliability, and qualification.

Community Development, Finance, the Sedona Police Department (SPD), and Sedona Fire District (SFD) have conducted a review of the application and did not note any objections regarding its approval.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Recommend denial of the Liquor License Agent Change/Acquisition of Control application for the Series 9 Liquor Store Liquor License for Bashas' #28, 160 Coffee Pot, Sedona, AZ (License #09130003S).

MOTION

I move to: recommend approval of the Agent Change/Acquisition of Control application for the Series 9 Liquor Store Liquor License for Bashas' #28, 160 Coffee Pot, Sedona, AZ (License #09130003S).



**CITY COUNCIL
AGENDA BILL**

**AB 2304
November 14, 2017
Consent Items**

Agenda Item: 3i
Proposed Action & Subject: Approval to authorize the Mayor to form a City Council Committee to review the City’s Small Grant Awards Program and make recommendations for changes to that program.

Department	City Manager’s Office
Time to Present	N/A
Total Time for Item	
Other Council Meetings	December 13, 2016, July 12, 2016, January 8, 2013, October 24, 2017
Exhibits	N/A

City Attorney Approval	Reviewed 11/6/17 RLP	Required	\$ 0
City Manager’s Recommendation	Approve the formation of a City Council Committee to review the small grants program.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The City of Sedona created a small grants program to encourage and fund activities, programs, or events developed by 501(c) organizations that serve the public and provide a fair return value to the City. Eligible programs, activities, or events include those that promote public health, safety, general welfare, and/or foster the well-being and prosperity of the City and its residents.

On December 13, 2016, the City Council added the reexamination of the City’s Small Grant Awards Program to its list of Council priorities for 2017. On October 24, 2017, City Council provided consensus direction that a Council Committee should be formed to work towards making those additional changes. Because that item was agendized for direction only, the establishment of a Council Committee is being brought back to Council for formal action.

In order to meet the FY2019 Small Grants Awards Program timeline, which includes opening the grant application period by February 2018, the Council Committee work should be completed by end of calendar year 2017, and recommendations brought back to the full Council so that final direction can be given to staff by end of January 2018.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): Maintain existing program criteria and processes for FY2019.

MOTION

I move to: approve the authorization for Mayor to form a City Council Committee to review the City's Small Grant Awards Program and make recommendations for changes to that program.



**CITY COUNCIL
AGENDA BILL**

**AB 2314
November 14, 2017
Appointments**

Agenda Item: 4a
Proposed Action & Subject: Discussion/possible action regarding the appointment of a commissioner to the Historic Preservation Commission.

Department	City Clerk
Time to Present	2 minutes
Total Time for Item	5 minutes
Other Council Meetings	N/A
Exhibits	A. Application

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	N/A	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: The Historic Preservation Commission advertised multiple times seeking applicants to fill two open seats with application deadlines of October 2 & 30, 2017. One application was received. Each of the open seats has terms ending November 30, 2017. The lone applicant is a current member seeking reappointment.

The Selection Committee, made up of Mayor Sandy Moriarty, Vice-Mayor John Martinez, and Commission Chair Brynn Burkee-Unger, interviewed the applicant on November 6, 2017. The Selection Committee unanimously recommended the reappointment of Allyson Holmes to a seat on the Historic Preservation Commission with a term ending November 30, 2020 or until a successor is appointed, whichever is later.

Community Plan Compliant: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): to repost to fill the vacancy for the Historic Preservation Commission.

MOTION

I move to: reappoint Allyson Holmes to a seat on the Historic Preservation Commission with a term ending November 30, 2020 or until a successor is appointed, whichever is later.

JoAnne Cook - HPC term

From: Allyson Holmes <allyson.holmes@yahoo.com>
To: JoAnne Cook <jcook@sedonaaz.gov>
Date: 9/11/2017 8:50 AM
Subject: HPC term

Good morning JoAnne. Please submit my old papers for a new term on the Historical Preservation Commission.
Thank you.
Allyson

**Historic Preservation Commission
Application**



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

**Please read the following instructions carefully before filling out your application.
TYPE OR PRINT CLEARLY IN INK ONLY.**

All requested information must be furnished. If an item does not apply to you, or if there is no information to be given, write in the letters "N/A" for "Not Applicable".

A resume may be included with your application; however, you must complete all information requested on this application. Resume attached? Yes No

Name: Allyson Holmes

Mailing Address: [redacted] Sedona, Arizona 86336

Phone: [redacted]

Cellular Phone: [redacted]

Email Address: allyson.holmes@yahoo.com

Are there any days you are not be available for an interview? Tuesday, Wednesday

Are you a resident of the City of Sedona? Yes No

If yes, how many years? 15 years

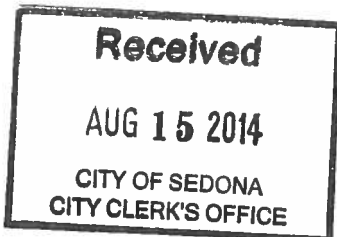
Have you previously been appointed by the City of Sedona to any position or served on any commission, board, committee or citizen engagement working groups other than the Historic Preservation Commission? Yes No

If so, what group and for what length of time? N/A

The Historic Preservation Commission is a voluntary body made up of seven citizens appointed by City Council. The Historic Preservation Commission was established by Sedona City Council to promote the protection, enhancement and perpetuation of properties and areas of historic, cultural, archaeological, and aesthetic significance.

Typically, the Historic Preservation Commission meets the second Monday of the month at 4:00 p.m., in the Vultee Conference Room at City Hall, 102 Roadrunner, Building #106, Sedona.

In answering the following questions, if more space is required, please attach a separate sheet of paper.



Re applied
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CITY OF SEDONA
CITY CLERK'S OFFICE

Application Page Number 1

Historic Preservation Commission Application



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

1. Background experience and knowledge.

In 1998, the Arizona State Historic Preservation Office (SHPO) designated the City of Sedona as a Certified Local Government. To satisfy the City's Certified Local Government (CLG) Agreement with the SHPO, it is preferable that all Historic Preservation Commission members have experience or knowledge in at least one of the following areas: history, architectural history, architecture, historic interiors, historic architecture, planning, archaeology, historic archaeology, real estate, historic preservation law, or other historic preservation related field. **Which categories do you have experience and/or knowledge, check all that apply:**

- Archaeologist/Archaeology
- Architect/Architecture/Architectural History
- Historian/History
- Real Estate
- Building Construction
- Historic Preservation Law
- Conservation/Preservation
- Land Use Planning
- Other related field (please explain) _____

2. Please explain your related experience or knowledge.

I have had an interest in archaeology on an amateur basis all my adult life. I have used this interest in designing and implementing the teaching of archaeology in the elementary classroom and at Red Rock State Park. I am a native of Arizona and have read widely the history of our state, and have experienced the history for many decades. My two years on the HPC has allowed me to read and use the preservation law and I have attended new commissioner training at the state historical preservation convention about one year ago.

3. What are your perceptions of the duties, responsibilities and role of the Historic Preservation Commission?

I understand our duties as being dependable in attending the monthly meeting and occasional special hearing. We also advise and consult with staff and owners of historical properties about the care and development of uses and design for landmarked properties. We play an important legal role in keeping the Certified Local Government status for our city government.

**Historic Preservation Commission
Application**



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 · Fax: (928) 204-7105

4. What do you hope to accomplish as a Commission/Board member?

I hope to contribute as an informed commission member as issues arise. My main interest is the development of the Brewer Road property for new uses. I hope to be on the committee that is formed to address that planning.

5. How much time are you willing to devote to this position if you are appointed?

I am willing to attend all scheduled meetings and special events.

6. What is your understanding of the Sedona Community Plan pertaining to Historic Preservation?

The Community Plan embraces Historic Preservation as part of a vital community.

7. What is your understanding of the Land Development Code's ordinance pertaining to Historic Preservation? Our Land Development Code incorporates all laws that relate to the CLG status and Historical Preservation and our commission is in place to make sure that we follow those laws.

7. What is your understanding of the Land Development Code's ordinance pertaining to Historic Preservation?

**Historic Preservation Commission
Application**



City Of Sedona City Clerk's Office
102 Roadrunner Drive Sedona, AZ 86336
(928) 282-3113 • Fax: (928) 204-7105

8. If not currently a member of the Historic Preservation Commission, have you attended any Historic Preservation Commission meetings, and if so how many?

N/A

9. If currently a member of the Historic Preservation Commission, how many terms have you served on this Commission? Why are you reapplying?

I am finishing my first term and I am reapplying because I feel that the commission has a new direction and definition after the last difficult year.

10. What do you perceive are the top three issues facing the Historic Preservation Commission? Please consider both long and short-term issues.

1. Retain the historical appearance of the remaining landmarked buildings.
2. Development of Brewer Road property into a usable community resource.
3. Develop camaraderie and pride in the current historical property owners.

11. Are there any projects that you are personally interested in as a Historic Preservation Commission member?

I am very interested in the Brewer Road property.

12. What is your understanding of a Certified Local Government (CLG) and how do you feel it relates to the Historic Preservation Commission?

CLG communities become certified by making a local commitment to historic preservation and then become qualified to receive funding and technical assistance that will help them achieve successful preservation projects.

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**CITY COUNCIL
AGENDA BILL**

**AB 2308
November 14, 2017
Regular Business**

Agenda Item: 8a
Proposed Action & Subject: Public hearing/presentation regarding the City of Sedona Development Impact Fee Audit Report for Fiscal Years 2014-15 and 2015-16.

Department	Financial Services
Time to Present	10 minutes
Total Time for Item	15 minutes
Other Council Meetings	N/A
Exhibits	A. Development Impact Fee Audit Report FYs 2014-15 & 2015-16

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	N/A	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: Development Impact Fees (DIFs) are one-time charges applied to new development in order that new growth will pay its fair share of infrastructure improvements needed to provide municipal services, and to ensure that existing residents are not unduly burdened to pay for improvements and services needed to accommodate new development. The City of Sedona first adopted DIFs on May 18, 1998.

In 2011, the state legislature placed several requirements on development impact fees. To comply with the new statutory requirements, the City Council adopted updated Land Use Assumptions and Infrastructure Improvement Plan reports on March 4, 2014. Subsequently, on May 22, 2014, the City Council adopted the 2014 Development Impact Fee Report (the newly modified development impact fees) and amended City Code Chapter 14.05, Development Impact Fees, with the changes effective August 5, 2014. The 2014 Development Impact Fee Report was prepared by the consulting firm, TischlerBise, Inc.

A.R.S. § 9-463.05(G) requires the City to either create an advisory committee or provide for a biennial certified audit of the land use assumptions, infrastructure improvement plans, and development impact fees. The statute further requires that the audit "...shall be conducted by

one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan." The term "qualified professional" is then statutorily defined as a professional engineer, surveyor, financial analyst, or planner providing services within the scope of the person's license, education or experience.

The first audit has been conducted by the consulting firm, Development Planning & Financing Group, Inc. (DPFG). The audit is required by statute to review the progress of the infrastructure improvements plan, including the collection and expenditures of development fees for each project in the plan, and evaluate any inequities in implementing the plan or imposing the development fee.

DPFG's audit concluded that the City is adhering to the requirements of A.R.S. § 9-463.05.

The statute requires a public hearing on the audit within 60 days of its release to the public. The DPFG audit report was posted on the City's website on October 4, 2017. In addition, a news item was placed on the City website's main page announcing the report's availability.

The required public hearing provides the opportunity for the public to comment regarding the DIF audit report.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for presentation and public hearing only.

October 4, 2017

Ms. Karen Daines Osburn
Assistant City Manager
City of Sedona
102 Roadrunner Drive
Sedona, AZ 86336

RE: 2014 – 2016 Development Impact Fee Review

Dear Ms. Osburn:

At your request, and in order to accommodate the requirements of Arizona Revised Statute § 9-463.05 (“Impact Fee Act”), we have performed the agreed upon services for the City of Sedona, Arizona (“City”) in relation to the review of City’s development impact fee program pursuant to the scope of work outlined below.

The purpose of the review was to determine whether the City is utilizing funds collected through its Police, Roadway, Storm Drainage, General Government and Parks and Recreation, development impact fee (“DIF”) program for the funding of public improvements as outlined in the City’s DIF Ordinance 2014-09 (“Ordinance”).

The requirements of the Impact Fee Act require a review of the City’s:

- (1) land use assumptions, including determining whether the land use assumptions conform with the City of Sedona’s general plan;
- (2) infrastructure improvements plan, including evaluating the implementation of the infrastructure improvements plan, and reviewing the collection and expenditures of development fees for each project in the plan; and
- (3) development fees, including an evaluation of any inequities in implementing the plan or imposing the development fee; conducted by one or more qualified professionals who are not employees or officials of the municipality and who did not prepare the infrastructure improvements plan.

Accordingly and pursuant to the agreed upon procedures outlined herein, we have performed the following tasks.

I. Scope of Work Performed

A. Land Use Assumptions

- 1. Obtained the City’s DIF land use assumptions and General Plan.
- 2. Obtained information related to the actual number of building permits pulled by category in the City during the analysis period.

3. Obtained the best information available related to the growth of the City's population during the analysis period.
4. Compared the actual results of 2 and 3 above to the Land Use Assumptions for reasonableness.
5. Interviewed the City Planning Director for any current and/or potential amendments to the City's General Plan.

B. Infrastructure Improvement Plan ("IIP") Review

1. Obtained the City's IIP, DIF Account Balance Report and general journals by DIF account.
2. On a test basis, selected transactions from the general journal by account and requested supporting documentation for each selected transaction.
3. Determined the appropriateness of each selected transaction by tracing the selected expenditure in to the listing of eligible public facilities as outlined in the IIP.
4. Discussed any discrepancies (if any) with the appropriate City personnel.

C. DIF Implementation Plan

1. Obtained the resolution/ordinance adopting the City's DIF program from the City.
2. Obtained the City's current DIF pricing information from the Development Services Department or its equivalent.
3. Determined that the DIF's being charged are equal to or less than that which was outlined in the DIF Study as herein defined and City's ordinance.

II. Summary of Findings

Based upon the agreed upon task performed as part of this engagement our findings are as follows.

A. Land Use Assumptions

1. Building Permits – The comparison of the May 22, 2014 Final Development Fee Study's ("DIF Study") anticipated residential building activity to actual single family ("SF") and multi-family ("MF") building permits as well as that of commercial uses is shown on the following page. As one will note, SF and MF activity has lagged behind the initial projections while commercial construction has exceeded projections. As the DIF Study was prepared for a ten (10) year analysis period, this difference is not yet considered a material factor that warrants modification and/or update of the DIF Study's land use assumptions. It is recommended that the City continue to monitor the development pace of SF, MF and commercial building permits over the next two (2) year period and to the extent that such activity is materially different from that initially estimated; consideration should be given to modifying the Land Use Assumptions in 2018.

SF Units

Description	2014-2015	2015-2016
Estimated SF Units/Land Use Study	41	39
SF Permits Per City	29	34
Difference	12	5

MF Units

Description	2014-2015	2015-2016
Estimated MF Units/Land Use Study	7	7
MF Units Per City	0	0
Difference	7	7

Land Use Assumptions

Commercial SF

Description	2014-2015	2015-2016
Estimated Comm SF / Land Use	34,000	33,000
Comm SF Per City	101,167	29,053
Difference	67,167	3,947

Source: City of Sedona Development Services Dept. / Land Use Study

2. Population – A comparison of the current population estimates to those initially included in the DIF Study’s land use assumptions is illustrated below.

Population

Description	2014	2015
Population Per Land Use (1)	11,988	12,077
Population Per City	10,176	10,244
Difference	1,812	1,833
Percentage Difference	15.12%	15.18%

Source: Office of Employment & Population, Arizona Dept. of Administration.

While there is a significant difference between the City’s current population estimates vis-a-vis the estimates included in the DIF Study, without census information, it is extremely difficult to estimate a community’s population. This combined with the fact that building permit activity is relatively comparable to that projected in the DIF Study makes the revisions to population estimates unnecessary at this time.

3. General Plan – Based upon information obtained from the City’s Planning Director for the time period 2014 through the date of this report (“Report”), there have been four (4) amendments to the City’s General Plan as on the following page.

General Plan Amendment	Acres	General Plan Amendment	
		From	To
2014-29	8.1	Single Family Low Density	Lodging / Natural Open Space
2015-01	0.2	Not Available	Multi-family Medium Density
2016-17	NAP		Establish a Community Focus Area
2016-18	NAP		Establish a Community Focus Area
Total	8.3		

None of the General Plan Amendments shown above are anticipated to lead to changes that could substantially change projected land uses and demand for public facilities. As such, no updates to the DIF Study are required at this time.

B. IIP Review

During our review of the City’s IIP and selected transactions from the DIF Account General Ledgers, no transactions conflicted with the City’s IIP and/or the City Ordinance adopted for such purposes. It appears as though the City is administering the DIF program as outlined in the DIF Study and approved by the City Ordinance.

C. DIF Implementation Plan

Based upon the agreed to procedures performed, it appears as though the City is administering the DIF program as approved by City Ordinance.

D. Conclusion

Given the results of our agreed upon procedures and the General Assumptions and Limiting Conditions of this Report, it appears that the City is adhering to the requirements of the A.R.S. 9-463.05 et seq. (the “Act”).

III. General Assumptions and Limiting Conditions

DPFG neither expresses nor implies any warranties of its work nor predicts results of the procedures outlined above. DPFG’s work was performed on a “level-of-effort” basis; that is, the depth of our analyses and extent of our authentication of the information on which our report was predicated, may be limited in some respects due to the extent and sufficiency of available information, and other factors. Moreover, we did not examine any such information in accordance with generally accepted financial auditing or attestation standards. See A.R.S. 9-463.05(G) (2).

This Report was based on information that was current as of October 4, 2017 and DPFG has not undertaken any update of its research effort since such date. Because future events and circumstances, many of which are not known as of the date of this study, may affect the estimates contained herein,

no warranty or representation is made by DPFPG that any of the results contained in this Report will actually be achieved.

Because the analyses are based on estimates and assumptions that are inherently subject to uncertainty and variation depending upon evolving events, we do not represent these as results that will be achieved.

The professionals at DPFPG are not trained legal professionals and as such, we are not providing legal interpretations related to the Act.

This Report is qualified in its entirety by, and should be considered in light of, these assumptions, limitations, and conditions.

Sincerely,

A handwritten signature in black ink, appearing to read "Carter T. Froelich". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

Carter T. Froelich
Managing Principal

CTF/bef

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**CITY COUNCIL
AGENDA BILL**

**AB 2306
November 14, 2017
Regular Business**

Agenda Item: 8b

Proposed Action & Subject: Discussion/possible action to authorize an amendment to the Development Agreement with Armstrong Development Properties, Inc. (Case Number: PZ17-00014) for expansion of operating hours for CVS pharmacy to allow operation between 7 a.m. and 10 p.m., subject to legal review.

Department	Community Development
Time to Present	10 minutes
Total Time for Item	30 minutes
Other Council Meetings	February 11, 2015, March 10, 2015, April 14, 2015, May 12, 2015
Exhibits	A. Recorded Development Agreement B. Amendment Request C. Public Comment

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve an amendment to the Development Agreement with Armstrong Properties.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background:

On May 12, 2015, the Sedona City Council approved a Zone Change and Development Agreement for the CVS/pharmacy project, located at 20 Airport Road (APN 408-26-217C). The Planned Development (PD) zoning included various conditions of approval, including the requirement that the property owner enter into a Development Agreement with the City. That Development Agreement (Exhibit A) was to include a number of items, including a prohibition on 24 hour operation of the store. The Development Agreement addressed this condition with the following:

Section 3.4.3. The store will be open no more than 12 hours a day, and no earlier than 7 a.m. and no later than 10 p.m. Deliveries and trash pick-up shall occur during store operating hours.

CVS (through their representatives) submitted a request to the City to amend this section of the Development Agreement (Exhibit B) to remove the restriction of 12 hours per day of operation. They are not requesting to change the hours of 7 a.m. to 10 p.m. If this request is approved, CVS would be permitted to operate from 7 a.m. to 10 p.m., with deliveries and trash pick-up still being required to occur during store hours.

Public Input

While amendments to Development Agreements do not typically require public notification, due to the amount of public input during the original approval process, Staff felt it was appropriate to conduct public outreach for this request.

The applicant reached out to the closest neighbors to the property regarding the requested amendment and has submitted a letter of support from one of those neighbors (Exhibit C).

In addition, Staff sent a notification using the same notification list (updated with current property owners) as the original project. As of writing this report, Staff has not received any comments as a result of that notification.

Analysis

As part of the original consideration process, there were concerns about CVS operating on a 24 hour basis. To address this concern, the zoning conditions of approval stated that the business could not operate on a 24 hour basis. Based on this language, there was additional concern that CVS could interpret this to mean that 23 hours per day would be acceptable, so the applicant agreed to restrict hours to 12 hours per day within the 7 a.m. to 10 p.m. period. This is an unusual situation as the City rarely regulates business hours.

However, the requested amendment is in line with the zoning conditions of approval restricting the store to no 24 hour operation. Staff does not believe that allowing operation for up to 15 hours per day (7 a.m. to 10 p.m.) rather than the currently permitted 12 hours per day in the same time frame will have an adverse effect on the neighborhood.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: to authorize an amendment to the Development Agreement with Armstrong Development Properties, Inc. for expansion of operating hours for CVS pharmacy to allow operation between 7 a.m. and 10 p.m., subject to legal review.

22

Recorded at the request of:
CITY OF SEDONA



After recording, please return to:
SEDONA CITY CLERK'S OFFICE
102 ROADRUNNER DRIVE
SEDONA, AZ 86336

Document to be recorded:
Development Agreement

Parties:
City of Sedona

and

CVS Pharmacy

Assessor's Parcel Number:
408-26-217A, 408-26-217B

County:
Yavapai

WHEN RECORDED RETURN TO:

City Clerk
City of Sedona
102 Roadrunner Drive
Sedona, AZ 85336

**DEVELOPMENT AGREEMENT
(Sedona CVS/Pharmacy)**

THIS DEVELOPMENT AGREEMENT (the "**Agreement**") is made as of the 12 day of May, 2015, by and between the CITY OF SEDONA, ARIZONA, an Arizona municipal corporation (the "**City**"), and Armstrong Development Properties, Inc., an Arizona Corporation (the "**Developer**"). The City and the Developer are sometimes referred to in this Agreement collectively as the "**Parties**," or individually as a "**Party**."

RECITALS

A. The Developer owns that certain real property located south of the southeast corner of the intersection of Airport Road and State Route 89A in Sedona, Arizona, which consists of approximately 5.27 acres and is more particularly described on Exhibit A (the "**Property**").

B. It is the desire and current intention of the Developer to develop the Property as an approximately 12,913 square foot CVS/Pharmacy on approximately 2.09 acres of the Property as preliminarily depicted on Exhibit B (the "**Project**").

D. Arizona Revised Statutes Section 9-500.05 allows a municipality and a landowner or any other person having an interest in real property located in the municipality to enter into a development agreement pertaining to any matter relating to the development of such real property, including applicable land use rules, regulation and official policies, permitted land uses, density and intensity of land use, phasing of the development and duration of the development agreement, and development fees.

E. Pursuant to and in compliance with the Land Development Code, Developer has submitted to the City its application for rezoning of the Property and for development review approval.

F. It is the intention of the developer to rezone all of the Property from C-2 (General Commercial) and RS-12 (Single Family Residential) to Planned Development ("**PD**").

AGREEMENTS

Now, therefore, in consideration of the foregoing recitals and representations and the mutual promises contained in this Agreement, the Parties agree as follows:

1. **Definitions.**

In this Agreement, unless a different meaning clearly appears from the context:

1.1 "**Agreement**" means this Agreement, as amended and restated or supplemented in writing from time to time, and includes all attached exhibits and schedules. References to Sections or Exhibits are to this Agreement unless otherwise qualified. The Recitals set forth in Paragraphs A through E, inclusive, are incorporated by reference and form a part of this Agreement but are not intended to expand the scope, number or nature of the City's or Developer's obligations beyond those expressly set forth in the numbered Sections of this Agreement.

1.2 "**Applicable Laws**" means as defined in Section 6.1.

1.3 "**Application**" means as defined in Section 4.1.

1.4 "**Approvals**" means all approvals, consents and permits necessary pursuant to Applicable Laws and encumbrances recorded against the Property for the development of the Project, with only such conditions and stipulations approved by Developer in its sole and absolute discretion (including, without limitation, the Applications).

1.5 "**City**" means the Party designated as City on the first page of this Agreement.

1.6 "**City Representative**" means as defined in Section 11.1.

1.7 "**Default**" or "**Event of Default**" means one or more of the events described in Section 10.1 or 10.2; provided, however, that such events shall not give rise to any remedy until effect has been given to all grace periods, cure periods and/or periods of Force Majeure provided for in this Agreement and that in any event the available remedies shall be limited to those set forth in Section 10.4.

1.8 "**Developer**" means the Party designated as the Developer on the first page of this Agreement, and its successors and assigns that conform with the requirements of this Agreement.

1.9 "**Developer Representative**" means as defined in Section 11.1.

1.10 "**Effective Date**" means the date first set forth above as of which this Agreement has been adopted and approved by the City Council and executed by duly authorized representatives of the City and the Developer.

1.11 "**Force Majeure**" means as defined in Section 10.6.

- 1.12 "Lender" or "Lenders" means as defined in Section 12.21.
- 1.13 "Party" or "Parties" means as designated on the first page of this Agreement.
- 1.14 "Project" means as defined in Recital B.
- 1.15 "Property" means as defined in Recital A.
- 1.16 "Term" shall mean ten (10) years from the Effective Date.
- 1.17 "Third Party" means any person other than a Party or an Affiliate of any Party.

2. **Recitals**. The recitals above, A through F are incorporated into this Agreement.

3. **Covenants of Developer**. Developer agrees as follows:

3.1. **Construction of the Project**. After Developer obtains all Approvals:

3.1.1. Developer will construct an approximately 12,913 square foot CVS store and pharmacy on the Property.

3.1.2. Developer will construct improvements to Airport Road at SR 89A to provide a shared right/thru lane and left turn lanes as shown on Exhibit B. The existing left turn lane will be striped and reserved for use as a future dedicated left turn lane if and when traffic counts warrant dual left turn lanes. Construction of the Airport Road improvements shall be completed prior to issuance of a Certificate of Occupancy for the CVS store and pharmacy.

3.1.3. Developer will comply with all public art requirements and either contribute to the Art in Public Places Fund or provide artwork on site; provided, that the City represents and warrants that Developer's obligations under this Section 3.1.3 shall not cost Developer in excess of the current rate per square foot in place at the time of building permit issuance.

3.1.4. Developer will construct: (a) a sidewalk extension on Airport Road, from Property line to Brins Mesa Road, as depicted on Exhibit B, (b) an access drive along SR 89A for Left-in, Right-in, Right-out, as depicted on Exhibit B, and, (c) a pedestrian connectivity route that connects to SR 89A and extends through the proposed open space area west of the building, and south towards Airport Road, as depicted on Exhibit B; all of Developer's out-of-pocket costs and expenses in connection with the sidewalk extension along Airport Road and the widening of Airport Road shall be credited against Developer's street DIF obligations to the extent permitted by city code section 14.05.110 (and described in Section 3.4.2).

3.2. **Open Space Preservation**. Developer will set aside approximately 3.18 acres for open space preservation (the "**Open Space**") as depicted on Exhibit B, or as may be modified by mutual agreement by Developer and the City, by recording a deed restriction

prohibiting development of the Open Space after Developer obtains all Approvals, but prior to the City's issuance of a Certificate of Occupancy for the Project.

3.4. Post-construction Obligations. Prior to the City issuing a Certificate of Occupancy for the Project:

3.4.1. Developer will make a \$19,800.00 contribution to the City's Affordable housing Fund.

3.4.2. In connection with the Project, Developer agrees to pay the City the following development impact fees ("DIFs") when assessed and due:

(a) Citywide Development Fees:

(i) General Government: \$0.08 per square foot, or \$1033.04 for a 12,913 square foot commercial building.

(ii) Police: \$.63 per square foot, or \$8,135.19 for a 12,913 square foot commercial building.

(iii) Streets: \$2.66 per square foot, or \$34,348.58 for a 12,913 square foot commercial building.

(b) Sewer Capacity Fees: \$203.00 per 100 square feet, or \$26,390 for a 12,913 square foot commercial building.

(c) Storm Drainage Fees: \$0.15 per square foot of floor area, or \$1,937 for a 12,913 square foot building.

The City represents and warrants that the DIFs shall not exceed the foregoing rates and that there shall be no additional DIFs.

3.4.3. The store will be open no more than 12 hours a day, and no earlier than 7 a.m. and no later than 10 p.m. Deliveries and trash pick-up shall occur during store operating hours.

4. Covenants of City.

4.1 Rezoning Approval. If the City does not approve the rezoning of the portion of the Property described on Exhibit A to "PD" as described in the application submitted by Developer to City on November 17, 2014, as the same may be amended from time to time upon the mutual agreement of Developer and City, then upon written notice from Developer to the City, this Agreement shall be immediately terminated and of no further force and effect (except any provision which expressly survives expiration or earlier termination of this Agreement). Development of the Property shall be deemed "vested" upon issuance of building permits in accordance with the approved Zone Change and Development Review Applications

(the “Applications”), which shall set forth the basic land uses, heights, densities and intensities for development of the Property, as such may be amended from time to time. City shall not initiate any amendments to the approved Applications.

4.2 No Further Legislative Action. The City agrees that no further legislative action by the City shall be required for the Developer and/or its successors and assigns to develop the Project in accordance with the PD rezone application;

4.3 Expedited Plan Review for Project. The City shall review plans for private development within the Property, including new and renovated buildings, within three (3) weeks of submission by Developer of complete plans, but approval of such plans shall be granted or withheld on the basis of the most current standards and requirements.

4.4 No Other Dedications or Exactions. Except as expressly set forth herein (or on final Application documents), the City shall not require any other dedications or exactions in connection with the development of the Project in accordance with the Application approvals. Without limiting the generality of the foregoing, the Project shall not be included in any special improvement district or community facilities district, or similar special taxing district without the Developer’s consent.

5. Zone Change and Development Review Application. The Developer and the City shall work together using reasonable efforts throughout the development stages to resolve any City comments regarding implementation of the Applications. Subject to Applicable Laws, the City and the Developer will cooperate reasonably in processing the approval or issuance of any permits, plans, specifications, plats or other development approvals requested by the Developer in connection with development of the Project. All decisions by the City regarding Developer’s compliance with this Development Agreement and the Applications shall be made by the City Representative (as designated in Section 8.1), provided that the Developer shall have the right to appeal any such decision to the City Council.

6. Development Regulation.

6.1 Applicable Laws. The City agrees that, in order to allow Developer and its successors and assigns to rely upon the continued validity of the provisions of the City’s land use and development ordinances (“the **Applicable Laws**”) in effect upon the date of this Agreement regulating the development of the Property, Developer has the right to develop the Property in accordance with the approved PD application.

6.2 Restricted Period. The Parties acknowledge and agree that the anticipated development of the Property will likely occur over a period of years. Except as otherwise permitted pursuant to Arizona Revised Statutes Section 9-462.01(E), until the twentieth (20th) anniversary of the Effective Date (the “**Restricted Period**”), no City moratorium, or future ordinance, resolution or other land use rule or regulation imposing a limitation to the rate, timing or sequencing of the development of the Property and affecting all or any portion of the Property shall apply to or govern the development of the Property.

7. **Indemnity; Risk of Loss.**

7.1 **Indemnity by the Developer.** The Developer shall pay, defend, indemnify and hold harmless the City and its City Council members, officers and employees for, from and against all claims, demands, fines, penalties, costs, expenses, damages, losses, obligations, judgments, liabilities, and suits (including attorney's fees, experts' fees and court costs associated) which arise from or relate in any way to any act or omission by the Developer, or its employees, contractors, subcontractors, agents or representatives, undertaken in fulfillment of the Developer's obligations under this Agreement; provided however, that the provisions of this Section 4.1 shall not apply to loss or damage or claims which are attributable solely to acts or omissions of the City, its agents, employees, contractors, subcontractors or representatives, and the Developer shall have no defense obligation in any instance in which a claim is asserted based solely upon an act or omissions of the City, its employees, contractors, subcontractors, agents or representatives. The foregoing indemnity obligations of the Developer shall survive the expiration or termination of this Agreement for a period equal to the applicable statute of limitations period.

7.2 **Indemnity by the City.** The City shall pay, defend, indemnify and hold harmless the Developer and its officers, members and employees for, from and against all claims, demands, fines, penalties, costs, expenses, damages, losses, obligations, judgments, liabilities, and suits (including attorney's fees, experts' fees and court costs associated) which arise from or relate in any way to any act or omission by the City, or its employees, contractors, subcontractors, agents or representatives, undertaken in fulfillment of the City's obligations under this Agreement; provided however, that the provisions of this Section 7.2 shall not apply to loss or damage or claims which are attributable solely to acts or omissions of the Developer, its agents, employees, contractors, subcontractors or representatives, and the Developer shall have no defense obligation in any instance in which a claim is asserted based solely upon an act or omissions of the Developer, its employees, contractors, subcontractors, agents or representatives. The foregoing indemnity obligations of the City shall survive the expiration or termination of this Agreement for a period equal to the applicable statute of limitations period.

8. **City Representations.** The City represents and warrants to the Developer that:

8.1 The City's execution and delivery of this Agreement have been duly authorized and agreed to in compliance with the requirements of the Sedona City Code.

8.2 All consents and approvals necessary to the execution and delivery of this Agreement by the City have been obtained, and no further action needs to be taken in connection with such execution, delivery and performance.

8.3 The City will execute and acknowledge when appropriate all documents and instruments and take all actions necessary to evidence and implement this Agreement.

8.4 The execution and delivery of this Agreement by the City is not prohibited by, and does not conflict with, any other agreements, instruments or judgments or decrees to which the City is a party or is otherwise subject.

8.5 The City has been assisted by counsel of its own choosing in connection with the preparation and execution of this Agreement.

9. **Developer Representations.** The Developer represents and warrants to the City that:

9.1 The Developer has the full right, power and authorization to enter into this Agreement and to perform its obligations and undertakings under this Agreement, and the execution, delivery and performance of this Agreement by the Developer has been duly authorized and agreed to in compliance with the organizational documents of Developer.

9.2 All consents and approvals necessary to the execution, delivery and performance of this Agreement have been obtained, and no further action needs to be taken in connection with such execution, delivery and performance.

9.3 The Developer will execute and acknowledge when appropriate all documents and instruments and take all actions necessary to implement, evidence and enforce this Agreement.

9.4 As of the Effective Date, the Developer knows of no litigation, proceeding or investigation pending or threatened against or affecting the Developer, which could have a material adverse effect on the Developer's performance under this Agreement that has not been disclosed in writing to the City.

9.5 This Agreement (and each undertaking of the Developer contained herein) constitutes a valid, binding and enforceable obligation of the Developer, enforceable according to its terms, except to the extent limited by bankruptcy, insolvency and other laws of general application affecting creditors' rights and by equitable principles, whether considered at law or in equity. The Developer will, at its sole cost and expense, defend the validity and enforceability of this Agreement and each of its terms in the event of any proceeding or litigation which challenges the validity or enforceability of any provision of this Agreement or the authority of the Developer or the City to enter into or perform any provision under this Agreement and shall indemnify the City against any cost, expense, liability or judgment (including attorney's fees, court costs and expert witnesses) incurred by the City in connection with any such litigation or proceeding. The severability and reformation provisions of Section 12.2 shall apply in the event of any successful challenge to this Agreement.

9.6 The execution, delivery and performance of this Agreement by the Developer is not prohibited by, and does not conflict with, any other agreements, instruments, judgments or decrees to which the Developer is a party or to which the Developer is otherwise subject.

9.7 The Developer has not paid or given, and will not pay or give, any third party any money or other consideration for obtaining this Agreement other than normal costs of conducting business and costs of professional services such as the services of architects, engineers and attorneys.

9.8 The Developer has been assisted by counsel of its own choosing in connection with the preparation and execution of this Agreement.

10. **Events of Default; Remedies.**

10.1 **Events of Default by the Developer.** Default or an Event of Default by the Developer under this Agreement shall mean one or more of the following:

(a) Any representation or warranty made in this Agreement by the Developer was materially inaccurate when made or shall prove to be materially inaccurate during the Term;

(b) The Developer fails to observe or perform any other material covenant, obligation or agreement required of it under this Agreement.

10.2 **Events of Default by the City.** Default or an Event of Default by the City under this Agreement shall mean one or more of the following:

(a) Any representation or warranty made in this Agreement by the City was materially inaccurate when made or shall prove to be materially inaccurate during the Term;

(b) The City fails to observe or perform any other material covenant, obligation or agreement required of it under this Agreement.

10.3 **Grace Periods; Notice and Cure.** Upon the occurrence of an Event of Default by any Party, such Party shall, upon written notice from a non-defaulting Party, proceed immediately to cure or remedy such Default and, in any event, such Default shall be cured within thirty (30) days (or twenty (20) days in the event of a monetary default) after receipt of such notice, or, if such Default is of a nature that is not capable of being cured within thirty (30) days shall be commenced within such period and diligently pursued to completion.

10.4 **Remedies on Default.** Whenever any Event of Default occurs and is not cured (or cure undertaken) in accordance with Section 10.3 of this Agreement, the non-defaulting Party has all remedies available at law or equity.

10.5 **Delays; Waivers.** Except as otherwise expressly provided in this Agreement, any delay by any Party in asserting any right or remedy under this Agreement shall not operate as a waiver of any such rights or limit such rights in any way; and any waiver in fact made by such Party with respect to any Default by the other Party shall not be considered as a waiver of rights with respect to any other Default by the non-defaulting Party or with respect to the particular Default except to the extent specifically waived in writing. It is the intent of the Parties that this provision will enable each Party to avoid the risk of being limited in the exercise of any right or remedy provided in this Agreement by waiver, laches or otherwise at a time when it may still hope to resolve the problems created by the Default involved.

10.6 **Force Majeure.** Neither party shall be responsible for delays or failures in performance resulting from acts beyond their control. Such acts shall include, but not be limited

to, acts of God, riots, acts of war, epidemics, governmental regulations imposed after the fact, fire, communication line failures, power failures, or earthquakes.

10.6 Rights and Remedies Cumulative. The rights and remedies of the Parties are cumulative, and the exercise by either Party of any one or more of such rights shall not preclude the exercise by it, at the same or different times, of any other right or remedy for any other Default by the other Party.

11. Cooperation and Alternative Dispute Resolution.

11.1 Representatives. To further the cooperation of the Parties in implementing this Agreement, the City and the Developer each shall designate and appoint a representative to act as a liaison between the City and its various departments and the Developer. The initial representative for the City shall be its [Director of Community Development] as designated by the City Manager from time to time (the "**City Representative**") and the initial representative for the Developer shall be its Project Manager, as identified by the Developer from time to time (the "**Developer Representative**"). The City and the Developer Representatives shall be available at all reasonable times to discuss and review the performance of the Parties and the development of the Property.

11.2 Impasse. If at any time the Developer believes an impasse has been reached with the City staff on any issue affecting the Property which is not an Event of Default, the Developer shall have the right to immediately appeal to the City Representative for an expedited decision pursuant to this Section 11.2. If the issue on which an impasse is reached is an issue where a final decision can be reached by the City staff, the City Representative shall give the Developer a final administrative decision within seven (7) days after the Developer's request for an expedited decision. If the issue on which an impasse has been reached is one where a final decision requires action by the City Council, the City Representative shall request a City Council hearing on the issue to take place within sixty (60) days after the Developer's request for an expedited decision; provided, however, that if the issue is appropriate for review by the City's Planning and Zoning Commission, the matter shall be submitted to the Planning and Zoning Commission within thirty (30) days, and then to the City Council at its first meeting following the Planning and Zoning Commission hearing and the applicable public notice period. Both the City and the Developer agree to continue to use reasonable good faith efforts to resolve any impasse pending such expedited decision.

12. Miscellaneous Provisions.

12.1 Governing Law; Choice of Forum. This Agreement shall be deemed to be made under, shall be construed in accordance with, and shall be governed by the internal, substantive laws of the State of Arizona (without reference to conflict of law principles). Any action brought to interpret, enforce or construe any provision of this Agreement shall be commenced and maintained in the Superior Court of the State of Arizona in and for the County of Maricopa (or, as may be appropriate, in the Justice Courts of Maricopa County, Arizona, or in the United States District Court for the District of Arizona, if, but only if, the Superior Court lacks or declines jurisdiction over such action). The Parties irrevocably consent to jurisdiction

and venue in such courts for such purposes and agree not to seek transfer or removal of any action commenced in accordance with the terms of this Section 12.1.

12.2 Limited Severability. In the event that any provision of this Agreement is declared void or unenforceable (or is construed as requiring the City to do any act in violation of any Applicable Laws, constitutional provision, law, regulation or City code), such provision shall be deemed severed from this Agreement and this Agreement shall otherwise remain in full force and effect.

12.3 Construction. The terms and provisions of this Agreement represent the results of negotiations between the Parties, each of which has been or has had the opportunity to be represented by counsel of its own choosing, and none of which has acted under any duress or compulsion, whether legal, economic or otherwise. Consequently, the terms and provisions of this Agreement shall be interpreted and construed in accordance with their usual and customary meanings, and each Party hereby waives the application of any rule of law which would otherwise be applicable in connection with the interpretation and construction of this Agreement that ambiguous or conflicting terms or provisions contained in this Agreement shall be interpreted or construed against the Party who prepared or whose attorney prepared the executed Agreement or any earlier draft of the same.

12.4 Notices.

12.4.1 Addresses. Except as otherwise required by law, any notice required or permitted under this Agreement shall be in writing and shall be given by personal delivery, or by deposit in the United States mail, certified or registered, return receipt requested, postage prepaid, addressed to the Parties at their respective addresses set forth below, or at such other address as a Party may designate in writing pursuant to the terms of this 12.4.1, or by telecopy facsimile machine, or by any nationally recognized express or overnight delivery service (e.g. Federal Express or UPS), delivery charges prepaid:

If to the City: City of Sedona
 102 Roadrunner Drive
 Sedona, AZ 86336-3710
 Attention: City Manager
 Telephone: 928-204-7127
 Facsimile: 928-282-5671

With a copy to: City of Sedona
 102 Roadrunner Drive
 Sedona, AZ 86336-3710
 Attention: City Attorney
 Telephone: 928-204-7200
 Facsimile: 928-204-7188

If to the Developer: Armstrong Development Properties, Inc.
 2121 W Chandler Blvd., Suite 106
 Chandler, AZ 85224
 Attention: Kevin Parker

Telephone:(602) 385-4100
Facsimile: (602) 385-4101

With a copy to:

Withey & Morris
2525 E. Arizona Biltmore Circle
Suite A-212
Phoenix, AZ 85016-2133
Attn: Jason Morris
Telephone: (602) 230-0600
Facsimile: (602) 212-1787

12.4.2 Effective Date of Notices. Any notice sent by United States Postal Service certified or registered mail shall be deemed to be effective the earlier of the actual delivery, or three (3) business days after deposit in a post office operated by the United States Postal Service. Any notice sent by a recognized national overnight delivery service shall be deemed effective one (1) business day after deposit with such service. Any notice personally delivered or delivered through a same-day delivery/courier service shall be deemed effective upon its receipt or refusal to accept receipt by the addressee. Any notice sent by telecopy facsimile machine shall be deemed effective upon confirmation of the successful transmission by the sender's telecopy facsimile machine. Any Party may designate a different person or entity or change the place to which any notice shall be given as provided in this Section 12.4.

12.5 Development Rights. Except as otherwise permitted pursuant to Arizona Revised Statutes Section 9-462.01(E), the City agrees that, without limiting any other deemed or vested development rights, for a period of twenty (20) years from the effective date of this Agreement, the Developer and its successors and assigns shall be deemed to have the right to develop the Property in accordance with the approved PD application.

12.6 Time of Essence. Time is of the essence of this Agreement and each of its provisions.

12.7 Section Headings. The Section headings contained in this Agreement are for convenience in reference only and are not intended to define or limit the scope of any provision of this Agreement.

12.8 Attorneys' Fees and Costs. In the event of a breach by any Party and commencement of a subsequent legal action in an appropriate forum, the prevailing Party in any such dispute shall be entitled to reimbursement of its reasonable attorney's fees and court costs, including, but not limited to, its costs of expert witnesses, transportation, lodging and meal costs of the parties and witnesses, costs of transcript preparation and other reasonable and necessary direct and incidental costs of such dispute.

12.9 Waiver. Without limiting the provisions of Section 11.5, the Parties agree that neither the failure nor the delay of any Party to exercise any right, remedy, power or privilege under this Agreement shall operate as a waiver of such right, remedy, power or privilege, 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 right, remedy, power or privilege with respect to any other occurrence. No waiver shall be effective unless it is in writing and is signed by the Party asserted to have granted such waiver.

12.10 Third Party Beneficiaries. No person or entity shall be a third party beneficiary to this Agreement, except for permitted transferees, assignees, or Lenders under Section 12.21 to the extent that they assume or succeed to the rights and/or obligations of the Developer under this Agreement, and except that the indemnified persons referred to in the indemnification provisions of this Agreement shall be third party beneficiaries of such indemnification provisions.

12.11 Exhibits. Without limiting the provisions of Section 12.12, the Parties agree that all references to this Agreement include all Exhibits designated in and attached to this Agreement, such Exhibits being incorporated into and made an integral part of this Agreement for all purposes.

12.12 Integration. Except as expressly provided herein, this Agreement constitutes the entire agreement between the Parties with respect to the subject matters hereof and supersedes any prior agreement, understanding, negotiation or representation regarding the subject matters covered by this Agreement.

12.13 Further Assurances. Each Party agrees to perform such other and further acts and to execute and deliver such additional agreements, documents, affidavits, certifications, acknowledgments and instruments as any other Party may reasonably require to consummate, evidence, confirm or carry out the matters contemplated by this Agreement or confirm the status of: (a) this Agreement as in full force and effect; and (b) the performance of the obligations under this Agreement at any time during its Term.

12.14 Business Days. If the last day of any time period stated in this Agreement or the date on which any obligation to be performed under this Agreement shall fall on a Saturday, Sunday or legal holiday, then the duration of such time period or the date of performance, as applicable, shall be extended so that it shall end on the next succeeding day which is not a Saturday, Sunday or legal holiday.

12.15 Consents and Approvals. Wherever this Agreement requires or permits the consent or approval of a Party to any act, document, use or other matter, such consent or approval shall be given or denied by such Party in its reasonable discretion, unless this Agreement expressly provides otherwise.

12.16 Covenants Running With Land; Inurement; Assignment. The covenants, conditions, terms and provisions of this Agreement relating to use of the Property shall run with the Property and shall be binding upon, and shall inure to the benefit of the Parties and their respective permitted successors and assigns with respect to the Property. Wherever the term "Party" or the name of any particular Party is used in this Agreement such term shall include any such Party's permitted successors and assigns. Developer may assign all of its rights, obligations

and benefits under this Agreement to another party pursuant to written agreement with assignee; provided that Developer shall provide the City written notice of such assignment.

12.17 Recordation. Within ten (10) days after this Agreement has been approved by the City and executed by the Parties, the City shall cause this Agreement or a Memorandum of this Agreement to be recorded in the Official Records of Yavapai County, Arizona.

12.18 Amendment. No change or addition is to be made to this Agreement except by written amendment executed by the City and the Developer. Within ten (10) days after any amendment to this Agreement, such amendment shall be recorded in the Official Records of Yavapai County, Arizona.

12.19 Good Faith of Parties. Except where any matter is expressly stated to be in the sole discretion of a Party, in performance of this Agreement or in considering any requested extension of time, the Parties agree that each will act in good faith and will not act unreasonably, arbitrarily or capriciously and will not unreasonably withhold, delay or condition any requested approval, acknowledgment or consent.

12.20 Survival. The indemnifications provisions of this Agreement shall survive the execution and delivery of this Agreement, the closing of any transaction contemplated herein, and the rescission, cancellation, expiration or termination of this Agreement upon the terms and for the period set forth in each respective Section.

12.21 Rights of Lenders. The City is aware that financing for improvements to be constructed on the Property may be provided, in whole or in part, from time to time, by one or more Third Parties (individually a "Lender", and collectively the "Lenders"). In the event of an Event of Default by the Developer, Developer may provide notices to its Lenders. Upon request by a Lender, the City will enter into a separate nondisturbance agreement with Lenders, consistent with the provisions of this Section 12.21. If a Lender is permitted, under the terms of its nondisturbance agreement with the City to cure the Event of Default and/or to assume the Developer's position with respect to this Agreement, the City agrees to recognize such rights of the Lender and to otherwise permit the Lender to assume all of the benefits, rights and obligations of the Developer under this Agreement. The City shall, at any time upon reasonable request by the Developer, provide to any Lender an estoppel certificate or other document evidencing that this Agreement is in full force and effect and that no Event of Default by the Developer exists (or, if appropriate, specifying the nature and duration of any existing Event of Default).

12.22 Nonliability of City Officials. No City Council member, official, representative, agent, attorney or employee of the City shall be personally liable to the Developer, or to any successor in interest to the Developer, in the event of any Default or breach by the City or for any amount which may become due to the Developer or its successors, or with respect to any obligation of the City under the terms of this Agreement.

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

12.24 Expiration of this Agreement. This Agreement shall expire at the end of the Term or as otherwise provided in this Agreement.

[Signatures on Following Pages]

IN WITNESS WHEREOF, the Parties have executed this Agreement as of the date first set forth above.

DEVELOPER

ARMSTRONG DEVELOPMENT PROPERTIES, INC
a(n)
INCORPORATION


By: _____
Name: KEVIN R. PARKER, P.E.
Title: VICE PRESIDENT

STATE OF Arizona)
) ss.
County of Maricopa)

The foregoing instrument was acknowledged before me this 1 day of July, 2015, by Kevin Parker, as Vice President of Armstrong, a(n) _____, on behalf of the Company.

Nicole Zion
Notary Public

My Commission Expires:
1/15/2018

 **NICOLE ZION**
Notary Public - Arizona
Maricopa County
Expires 01/15/2018

OWNER

German Dobson

CVS, L.L.C., a(n)

Arizona limited liability company

By: *Cheryl A Green*

Name: Cheryl A. Green

Title: Assistant Secretary

STATE OF RHODE ISLAND)

) ss.

County of PROVIDENCE)

The foregoing instrument was acknowledged before me this 21TH day of June, 2015, by Cheryl A Green as Asst. Sec. of German Dobson, a(n) Arizona limited liability company, on behalf of the Company. CVS, L.L.C.

Susan Dupre
Notary Public

My Commission Expires:

SUSAN DUPRE
Notary Public
State of Rhode Island
My Commission Expires 6-02-2019

SEAL

CITY

CITY OF SEDONA, an Arizona municipal corporation

By: Sandra J. Moriarty
Sandra J. Moriarty, Mayor

ATTEST:

By: Susan L. Irvine
Susan L. Irvine, City Clerk

APPROVED AS TO FORM:

By: [Signature]
City Attorney

STATE OF ARIZONA)
) ss.
County of Yavapai)

The foregoing instrument was acknowledged before me this 16 day of June, 2015, by Sandra J. Moriarty, the Mayor of the City of Sedona, an Arizona municipal corporation.

JoAnne Cook
Notary Public

My Commission Expires:

2/06/2019

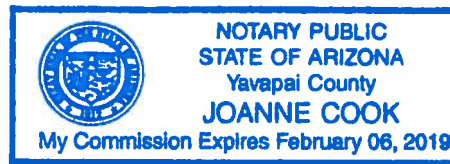


EXHIBIT A

Legal Description of Property

EXHIBIT A

LEGAL DESCRIPTION

A tract of land situated in the Southeast quarter of the Southeast quarter of Section 12, Township 17 North, Range 5 East of the Gila and Salt River Base and Meridian, Yavapai County, Arizona, and being a combination of those parcels described in Book 3747 of Official Records, Page 897 and in Book 4112 of Official Records, Page 7 (both referenced as (rec.) hereinafter) of the Yavapai County Recorder's Office, said tract being more particularly described as follows:

Beginning at a G.L.O. brass capped pipe found at the Southeast corner of said Section 12, from which the East quarter corner of said Section 12, as marked by G.L.O. brass capped pipe, lies North 01 degrees, 38 minutes, 10 seconds East (basis of bearings per (rec.) a distance of 2,632.49 feet;

Thence from said Southeast corner of Section 12, North 89 degrees, 39 minutes, 48 seconds West (North 89 degrees, 41 minutes, 33 seconds West rec.) a distance of 515.76 (515.70 rec.) feet along the South line of the Southeast quarter of said Section 12 to a 1/2" rebar with plastic cap stamped "LS 14184" set on the curved East right of way line of Airport Road as described in Book 93 of Official Records, Page 472 of Yavapai County Recorder's Office;

Thence Northerly along said curved East right of way line being a curve to the left and concave to the West having a radius of 1,004.93 (rec. same) feet, chord bearing - length of North 11 degrees, 02 minutes, 51 seconds West 219.29 feet and a central angle of 12 degrees, 31 minutes, 40 seconds (12 degrees, 33 minutes, 56 seconds rec.), an arc distance of 219.73 feet (220.39 rec.) feet to a 1/2" rebar with plastic cap stamped "LS 14184" set at a Point of Tangency;

Thence continuing along said East right of way line of Airport Road North 17 degrees, 18 minutes, 41 seconds West (North 17 degrees, 17 minutes, 48 seconds West rec.) a distance of 76.33 (76.37 rec.) feet to an A.D.O.T. aluminum cap in concrete found on the curved Southerly right of way line of Arizona State Highway 89-A;

Thence Northeasterly along said curved Southerly right of way line being a curve to the left and concave to the Northwest having a radius of 1,700.00 (rec. same) feet, a chord bearing length of North 63 degrees, 50 minutes, 41 seconds East, 665.30 feet and a central angle of 22 degrees, 34 minutes, 06 seconds (22 degrees, 33 minutes, 37 seconds rec.), an arc distance of 669.62 (669.38 rec.) feet to a 1/2" rebar with brass tag stamped "LS 2473" found on the East line of said Southeast quarter of Section 12;

Thence South 01 degrees, 38 minutes, 10 seconds West (South 01 degrees, 38 minutes, 10 seconds West rec.) a distance of 584.64 (584.67 rec.) feet to the TRUE POINT OF BEGINNING.

APN: 40826217A, 40826217B

LOT AREA

229,862 SQUARE FEET OR 5.277 ACRES MORE OR LESS

ASSESSORS PARCEL NUMBER

408-26-217A
408-26-217B

BASIS OF BEARING

THE BASIS OF BEARING FOR THIS SURVEY IS N01°38'10"E ALONG THE EAST LINE OF THE SOUTHEAST QUARTER OF SECTION 12, TOWNSHIP 17 NORTH, RANGE 5 EAST OF THE GILA AND SALT RIVER MERIDIAN, YAVAPAI COUNTY, ARIZONA.

EXHIBIT B
Project Site Plan

CVS/pharmacy


SITE PLAN FOR

20 AIRPORT ROAD
 SEDONA, AZ 86336
 SEC OF HIGHWAY 89A & AIRPORT ROAD

CVS pharmacy
 ARIZONA - CENTER
 SIDE DRIVE-THRU
 STORE NUMBER 10425
 SEC HWY 89 & AIRPORT ROAD
 SEDONA, AZ
 PROJECT TYPE NEW STORE
 FEE FOR SERVICE
 CS PROJECT NUMBER 072580

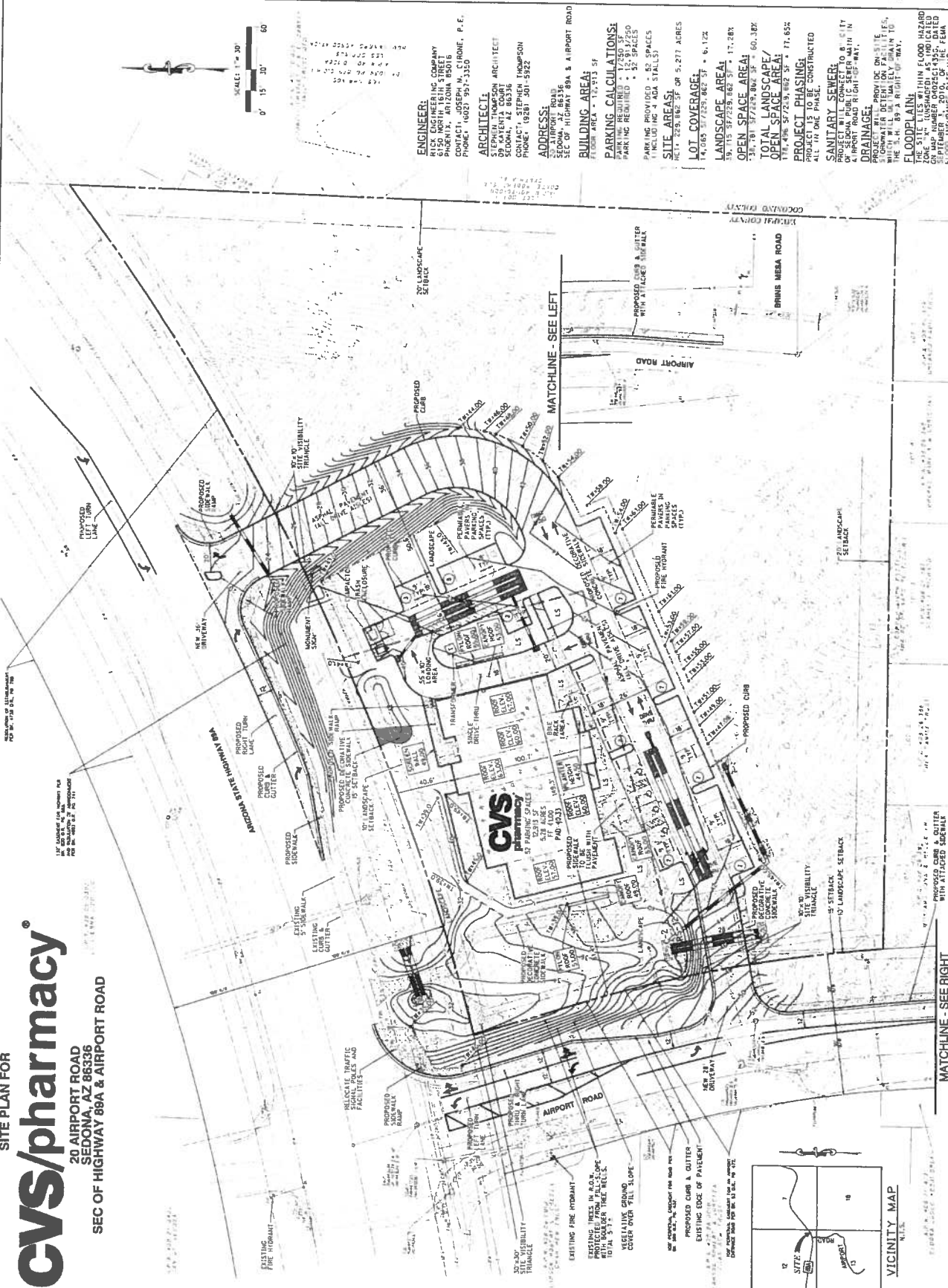
RICK
 ENGINEERING COMPANY
 6150 NORTH HIGHLAND STREET
 PHOENIX, AZ 85016
 (602) 957-3350
 Tucson, San Diego, Flagstaff, Chicago
 Sacramento, San Jose, Orlando, Albuquerque
 WASHINGTON STATE
 RICK ENGINEERING COMPANY

ARMSTRONG DEVELOPMENT
 201 W. CHANDLER BLVD. SUITE 100
 PHOENIX, AZ 85024
 PHONE: (602) 957-4901
 FAX: (602) 957-4901

SEAL


NO.	REVISION	DATE
1	ISSUE FOR PERMIT	11-14-2014
2	REVISED PER CITY COMMENTS	11-14-2014
3	REVISED PER CITY COMMENTS	11-14-2014
4	REVISED PER CITY COMMENTS	11-14-2014
5	REVISED PER CITY COMMENTS	11-14-2014
6	REVISED PER CITY COMMENTS	11-14-2014
7	REVISED PER CITY COMMENTS	11-14-2014
8	REVISED PER CITY COMMENTS	11-14-2014
9	REVISED PER CITY COMMENTS	11-14-2014
10	REVISED PER CITY COMMENTS	11-14-2014
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47	REVISED PER CITY COMMENTS	11-14-2014
48	REVISED PER CITY COMMENTS	11-14-2014
49	REVISED PER CITY COMMENTS	11-14-2014
50	REVISED PER CITY COMMENTS	11-14-2014

ENGINEER OF RECORD
RICK
 ENGINEERING COMPANY
 6150 NORTH HIGHLAND STREET
 PHOENIX, AZ 85016
 (602) 957-3350
 TUCSON, SAN DIEGO, FLAGSTAFF, CHICAGO
 SACRAMENTO, SAN JOSE, ORLANDO, ALBUQUERQUE
 WASHINGTON STATE
 RICK ENGINEERING COMPANY



Project Application



City Of Sedona
Community Development Department
 102 Roadrunner Drive Sedona, AZ 86336
 (928) 282-1154 • Fax: (928) 204-7124

The following application is for:

- | | | | |
|---|---------------------------------------|---|---|
| <input type="checkbox"/> Conceptual Review | <input type="checkbox"/> Final Review | <input type="checkbox"/> Appeal | <input type="checkbox"/> Time Extension |
| <input type="checkbox"/> Development Review | <input type="checkbox"/> Subdivision | <input type="checkbox"/> Variance | |
| <input type="checkbox"/> Conditional Use Permit | <input type="checkbox"/> Zone Change | <input checked="" type="checkbox"/> Development Agreement Amendment | |
| | | <input type="checkbox"/> Minor Community Plan Amendment | |

PROJECT CONTACT:	Jason Morris	Phone:	602-230-0600	App. #:	PZ 17-00014
Address:	2525 E Arizona Biltmore Circle, A-212, Phoenix, AZ 85016	Cell Phone:	602-346-4618	Date Rec'd:	9/6/17
E-mail:	jason@witheymorris.com	Fax:	602-212-1787	Rec'd by:	Cari
PROJECT NAME:	Sedona CVS/Pharmacy	Parcel #:	408-26-217C	Fee Pd:	\$1500
Project Address/ Location:	20 Airport Road	Acres:	5.28	Zoning:	PD

Project Description:	Amendment to the Development Agreement to permit the store to operate more than 12 hours, but within the range of hours already permitted.
----------------------	--

cust# 46126

OWNER NAME:	German Dobson CVS LLC	APPLICANT NAME:	Jason Morris
Address:	One CVS Drive mail Code 1160, Moonsocket, RI 02895	Company Name:	Withey Morris PLC
Phone:		Address:	2525 East Arizona Biltmore Circle, A-212, Phoenix Arizona, 85016
Cell Phone:		Phone:	602-230-0600
E-mail:		Cell Phone:	602-346-4618
		E-mail:	jason@witheymorris.com
ARCHITECT/ ENGINEER:	Kevin Parker	AUTHORIZED AGENT/OTHER:	Jason Morris
Company Name:	Armstrong Development Properties, Inc	Company Name:	Withey Morris PLC
Address:	8283 N. Hayden Road, Suite 145 Scottsdale, AZ, 85258	Address:	2525 East Arizona Biltmore Circle, A-212, Phoenix Arizona, 85016
E-mail:	kparker@agoc.com	E-mail:	jason@witheymorris.com
Phone:	(602)-385-4100	Phone:	602-230-0600
Cell Phone:	(602)-385-4103	Cell Phone:	602-346-4618
ID #/Exp. Date:			
City Business License #:			

September 1, 2017

City of Sedona
Audree Juhlin, Director
Community Development Department
102 Roadrunner Drive
Sedona, Arizona 86336

Re: Application for an Amendment to the Development Agreement for Sedona CVS/Pharmacy - 20 Airport Road (APN 408-26-217C)

Dear Ms. Juhlin:

This firm represents Armstrong Development Properties, Inc. and German Dobson CVS LLC (the "Applicant") regarding its application to amend the Development Agreement for the Sedona CVS/Pharmacy located at the southeast corner of Airport Road and Highway 89A, Sedona ("Property").

As you may recall, on May 12, 2015, the Applicant and the City of Sedona executed a Development Agreement to limit the Applicant's store operating hours to no more than 12 hour a day between 7 a.m. and 10 p.m. The practical effect however, is this agreement has placed it at a competitive disadvantage to its competitors in Sedona, the closest of which is open from 7 a.m. to 10 p.m., seven days a week.

The Applicant desires to amend the Development Agreement to permit the operation of the store full time, from 7 a.m. to 10 p.m. This request will maintain the same opening and closing hours already permitted by the Development Agreement. It merely allows the Applicant to remain open for the entirety of the previously approved window of operating hours. The proposed amendment will simply allow the Applicant to provide a level of service and convenience commensurate with its competitors.

Attached hereto is the application and fee. Following your review of the application, please advise us of any additional information you may need. We look forward to working with the City and the community on this request.

Sincerely,
WITHEY MORRIS P.L.C.



By
Jason Morris

JBM/jt
Enclosures

August 24, 2017

Cari Meyer
City of Sedona Community Development Dept.
102 Roadrunner Drive
Sedona, Arizona, 86336

Re: Sedona/CVS Pharmacy Development Agreement Amendment – Store
10425

Dear Cari:

By signing this letter, German Dobson CVS LLC, the owner of property at the southeast corner of Airport Road and SR 89A (APN no. 408-26-217c), authorizes Withey Morris PLC to file, process and provide representation at public hearings regarding the above referenced Development Agreement amendment.

Sincerely,
German Dobson CVS, L.L.C.

By: 
Cheryl A. Green
Assistant Secretary

September 1, 2017

City of Sedona
Audree Juhlin, Director
Community Development Department
102 Roadrunner Drive
Sedona, Arizona 86336

Re: Application for an Amendment to the Development Agreement for Sedona CVS/Pharmacy - 20 Airport Road (APN 408-26-217C)

Dear Ms. Juhlin:

This firm represents Armstrong Development Properties, Inc. and German Dobson CVS LLC (the "Applicant") regarding its application to amend the Development Agreement for the Sedona CVS/Pharmacy located at the southeast corner of Airport Road and Highway 89A, Sedona ("Property").

As you may recall, on May 12, 2015, the Applicant and the City of Sedona executed a Development Agreement to limit the Applicant's store operating hours to no more than 12 hour a day between 7 a.m. and 10 p.m. The practical effect however, is this agreement has placed it at a competitive disadvantage to its competitors in Sedona, the closest of which is open from 7 a.m. to 10 p.m., seven days a week.

The Applicant desires to amend the Development Agreement to permit the operation of the store full time, from 7 a.m. to 10 p.m. This request will maintain the same opening and closing hours already permitted by the Development Agreement. It merely allows the Applicant to remain open for the entirety of the previously approved window of operating hours. The proposed amendment will simply allow the Applicant to provide a level of service and convenience commensurate with its competitors.

Attached hereto is the application and fee. Following your review of the application, please advise us of any additional information you may need. We look forward to working with the City and the community on this request.

Sincerely,
WITHEY MORRIS P.L.C.



By
Jason Morris

JBM/jt
Enclosures

August 24, 2017

Cari Meyer
City of Sedona Community Development Dept.
102 Roadrunner Drive
Sedona, Arizona, 86336

Re: Sedona/CVS Pharmacy Development Agreement Amendment – Store
10425

Dear Cari:

By signing this letter, German Dobson CVS LLC, the owner of property at the southeast corner of Airport Road and SR 89A (APN no. 408-26-217c), authorizes Withey Morris PLC to file, process and provide representation at public hearings regarding the above referenced Development Agreement amendment.

Sincerely,
German Dobson CVS, L.L.C.

By: 
Cheryl A. Green
Assistant Secretary

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Cari Meyer - FW: CVS Sedona

From: Jessi Thornton <jessi@witheymorris.com>
To: Cari Meyer <CMeyer@sedonaaz.gov>
Date: 10/20/2017 9:28 AM
Subject: FW: CVS Sedona
Cc: Jason Morris <Jason@witheymorris.com>, Samantha McKechnie <samantha@with...

Cari,

We reached out to the Brekke's to meet with them to discuss the CVS store hours changing. Mrs. Brekke explained they are not concerned about the store hours changing – please see her response below for your files.

If you hear from anyone else after mailing the notice letters, please let us know and we will reach out to them.

Thanks,

Jessi Thornton
 Withey Morris, PLC
 2525 E. Arizona Biltmore Circle, Ste A-212
 Phoenix, AZ 85016
[602-230-0600](tel:602-230-0600) – Main
[602-346-4618](tel:602-346-4618) – Direct
[602-510-3654](tel:602-510-3654) – Mobile



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From: Christina [<mailto:brekke@suddenlink.net>]
Sent: Thursday, October 19, 2017 5:41 PM
To: Samantha McKechnie <samantha@witheymorris.com>
Subject: RE: CVS Sedona

Hi Samantha,

In all honestly, we don't really have issues with store hours at all so if they're looking to expand hours... we don't really care. It was sound disturbances super early in the mornings we had problems with. Now that that has been taken care of... we're happy campers. ☺

Do they still need to meet with us?

Christina Brekke

From: Samantha McKechnie [<mailto:samantha@witheymorris.com>]
Sent: Thursday, October 19, 2017 4:52 PM
To: Christina <brekke@suddenlink.net>
Subject: RE: CVS Sedona

Good Afternoon,

Jason and Jessi asked me to coordinate a meeting with you to discuss the possibility of changing the stores hours at CVS. When you get a moment could you send over a few possible dates and times that would work for you? Jason is wide open Monday November 6th, Wednesday November 8th in the afternoon, is that helps.

Thank you!

Samantha McKechnie
Executive Assistant
Withey Morris, PLC
2525 E. Arizona Biltmore Circle, Ste A-212
Phoenix, AZ 85016
Direct: [602-346-4617](tel:602-346-4617)



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From: Christina [<mailto:brekke@suddenlink.net>]
Sent: Tuesday, August 15, 2017 10:17 AM
To: Samantha McKechnie <samantha@witheymorris.com>
Subject: RE: CVS Sedona

Hi Samantha,

Yes, we'll be there.

Christina Brekke

destroy the original message and all copies.

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**CITY COUNCIL
AGENDA BILL**

**AB 2311
November 14, 2017
Regular Business**

Agenda Item: 8c
Proposed Action & Subject: Discussion/possible action regarding the adoption of a resolution approving a revised City Fund Balance Policy.

Department	Financial Services
Time to Present	10 minutes
Total Time for Item	30 minutes
Other Council Meetings	September 13, 2017 (work session) September 27, 2017 (work session)
Exhibits	A. Resolution Adopting the Revised City Fund Balance Policy B. Draft Fund Balance Policy (redline version)

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a resolution revising City Fund Balance Policy.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: As part of their analysis, the Fiscal Sustainability Work Group (FSWG) reviewed the City's current fund balance policy, which was adopted by the City Council on November 22, 2011, and made several recommendations. The FSWG believed some reserves are higher than necessary and there is an opportunity to free up one-time cash reserves.

The most significant changes recommended are as follows:

- The General Fund operating reserve was reduced from a range of 50% to 75% to a target of 30%. This would free up approximately \$3.8 million of the FY 2018 reserve for capital needs. The recommendation is based on the following:
 - According to our bond advisor, this liquidity level will be sufficient to maintain our bond rating, excluding potential impacts of other rating factors such as the economy. Liquidity is only one factor in the analysis performed by the rating agencies.

- GFOA recommends, at a minimum, that general-purpose governments, regardless of size, maintain an unrestricted General Fund fund balance of no less than two months (or 17%) of regular General Fund operating revenues or regular General Fund operating expenditures, and should be based on the unique circumstances of each government.
- During the most recent recession, General Fund revenues dropped approximately 14% from the high point before the recession to the lowest point during the recession.
- The debt service reserve for the Wastewater Fund was reduced from an average of one year of **all** debt service payments to an average of one year of just those debt issuances not covered by bond insurance. This would free up approximately \$400,000 for FY 2018 and the remaining approximately \$4.1 million in FY 2020 since the remaining debt issuances would be covered by bond insurance.
- Reserves established in the budget process or anticipated to be established have been memorialized in the policy, including the budget carryover reserves, equipment replacement reserves, wastewater major maintenance reserve, and wastewater capital improvements reserve.
- A discussion of when the operating reserves can be used was added. This allows the Council discretion to utilize those reserves to bridge any gaps in recessionary periods.

Subsequent to the FSWG's recommendations, staff is recommending the following changes to the policy:

- The Streets Fund fund balance range of 10% to 50% has been eliminated. While the target is maintenance of an annual average of 4.5 to 5 miles per year, the actual number of miles per year can vary based on a variety of operational efficiencies and needs. The recommended policy now reflects that balances will be carried over based on maintaining a level funding amount to average at approximately 4.5 to 5 miles per year over time.

In addition, clarifications and wording changes discussed in the September 13, 2017 work session have been included in this revised draft policy as a redline of the changes since the work session.

The City Council has given staff direction to proceed with the changes to reserve levels as recommended by the FSWG. This agenda item is to formally approve the policy revisions.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

However, the Fiscal Sustainability Work Group has reviewed and commented on the draft fund balance policy at multiple meetings and is supportive of its approval.

Alternative(s): Provide direction to staff for adjustments to the policy for review and action at a later council meeting.

MOTION

I move to: approve Resolution No. 2017-___, adopting a new City Fund Balance Policy and replacing the existing policy.

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RESOLUTION NO. 2017-__

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, APPROVING AND ADOPTING THE CITY FUND BALANCE POLICY.

WHEREAS, the Mayor and Council of the City of Sedona shall have control of the finances and property of the City pursuant to A.R.S. § 9-240(A) and § 9-499.01 et seq.; and

WHEREAS, the Mayor and Council of the City of Sedona shall also have the power to appropriate money and provide for the payment of its debts and expenses pursuant to A.R.S. § 9-240(B); and

WHEREAS, the Fund Balance Policy of the City of Sedona establishes targets for selected fund balances and net assets of the City of Sedona to ensure financial stability and health; and

WHEREAS, the Fund Balance Policy of the City of Sedona establishes guidelines regarding the use of reserves in City funds, including contingencies on surpluses and shortfalls.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA, that the City Council formally approves and adopts the Fund Balance Policy as presented to the Mayor and City Council and attached hereto as Exhibit A.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 14th Day of November, 2017.

Sandra J. Moriarty, Mayor

ATTEST:

Susan L. Irvine, CMC, City Clerk

APPROVED AS TO FORM:

Robert L. Pickels, Jr., City Attorney

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City of Sedona Fund Balance Policy

I. Purpose:

To ensure financial stability, the City of Sedona desires to manage its financial resources by establishing fund balance/net asset targets or ranges for selected funds. This will ensure the City maintains a prudent level of financial resources to provide sufficient cash flow for daily financial needs, secure and maintain investment grade bond ratings, offset significant economic downturns and revenue shortfalls, and provide funds for unforeseen expenditures related to emergencies.

II. Definitions:

A. Fund Balance: Fund balance means the difference between fund assets and fund liabilities as reported in a governmental fund. Furthermore, Government Accounting Standards Board (GASB) Statement No. 54 establishes the following fund balance classifications depicting the relative strength of the constraints that control how specific amounts can be spent:

1. **Non-spendable fund balance** includes amounts that are not in a spendable form (inventory, for example) or are required to be maintained intact (the principal of an endowment fund, for example).
2. **Restricted fund balance** includes amounts that can be spent only for the specific purposes stipulated by external resource providers (for example, grant providers), constitutionally, or through enabling legislation (that is, legislation that creates a new revenue source and restricts its use). Effectively, restrictions may be changed or lifted only with the consent of resource providers.
3. **Committed fund balance** includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. Commitments may be changed or lifted only by the government taking the same formal action that imposed the constraint originally.
4. **Assigned fund balance** comprises amounts *intended* to be used by the government for specific purposes. Intent can be expressed by the governing body or by an official or body to which the governing body delegates the authority. In governmental funds other than the General Fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

5. **Unassigned fund balance** is the residual classification for the General Fund and includes all amounts not contained in the other classifications. Unassigned amounts are technically available for any valid government purpose. If another governmental fund has a fund balance deficit, then it will be reported as a negative amount in the unassigned classification in that fund. Positive unassigned amounts will be reported only in the General Fund.

B. **Net Assets:** Net assets are the difference between assets and liabilities as reported in a financial reporting unit such as proprietary funds and fiduciary funds.

C. **Fund Balance Range:** Fund balance range is the range of amounts this policy has set within which the City means to maintain the ~~undesignated~~ available fund balance.

D. **Surplus:** Surplus is the amount by which the ~~undesignated~~ available fund balance exceeds the fund balance target or the upper limit of the fund balance range.

E. **Shortfall:** Shortfall is the amount by which the fund balance target or the lower limit of the fund balance range exceeds the ~~undesignated~~ available fund balance.

F. Available Fund Balance: Remaining fund balance after all balances designated as non-spendable, restricted, committed, and/or assigned (other than assigned balances in governmental funds representing residual balances) within the fund.

~~F.G.~~ **Expenditures:** Expenditures are all uses of financial resources, budgeted for any purpose, and include operating and capital expenses, debt service, and transfers to other funds.

~~G.H.~~ **Operating Expenditures:** Operating expenditures are uses of financial resources for personnel, supplies, services and materials, and indirect cost allocations, and exclude capital expenses, debt service, and transfers to other funds.

III. Fund Balance Target or Range:

Fund balance targets or ranges are established for each governmental fund type, which contains operating expenses, as well as, the ~~proprietary-enterprise~~ funds. The amounts set for each fund are based on the predictability of revenues, volatility of expenditures, and liquidity requirements of each fund and may need to be reviewed periodically.

The calculation of the various fund balances to proposed expenditures would be established as part of the budget preparation process taking the previous year's estimated actual expenditures and the established fund ratio to determine the ensuing budget year's fund balance requirements.

IV. Designations for Proprietary Funds:

Unrestricted net assets in proprietary funds do not necessarily represent resources available for appropriation. This is due to the fact that capital assets are included in proprietary funds and are offset in unrestricted net assets. Since it is not likely the organization will sell the capital asset in order to fund operations, its value is not available for appropriation. In order to take this into account when calculating the ratio related to the fund balance range, staff will adjust the net assets to follow the same basis of accounting used for the General Fund.

V. Funds:

A. General Fund: The General Fund is considered to have a high level of risk to operations due to its dependence on revenue streams that are susceptible to economic downturns and revenue reduction impacts from outside agency actions. In addition, the General Fund is the main funding source when responding to unexpected events or emergencies. The fund balance for the General Fund consists of several balances for multiple purposes. These balances are identified below.

1. Operating Reserve: The operating reserve will be maintained to:

- a. Insulate General Fund programs and current service levels from large and unanticipated one-time expenditure requirements, a revenue reduction due to a change in state or federal legislation, adverse litigation or any similar unforeseen action, and/or
- b. Temporarily insulate General Fund programs and current service levels from slower revenue growth that typically occurs during an economic recession.

The Council may use this reserve during the first 18 to 24 months of a recession to either maintain current General Fund services and programs or transition expenditure growth to match lower revenues ~~during the first 18 to 24 months of a recession~~. For purposes of this policy, lower revenues trigger the Council's assessment of use of this reserve when ongoing revenues fall 3% or more for two consecutive quarters compared to the same quarters of the prior year or the financial forecast estimates that ongoing revenues will fall 3% or more for the next fiscal year. Ongoing revenue is defined as revenue typically received every year. One-time revenue is defined as revenue not received annually or significant revenue in excess of routine levels (i.e., significant construction-related revenues, fluctuating grants and donations, "windfall" revenues, etc.).

The operating reserve range target for the General Fund shall be not less than 30% of the total adopted budgeted operating expenditures of the General Fund budget.

2. Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.
3. Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.
4. The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.

B. Streets Fund: ~~The fund balance range for the Streets Fund shall be not less than 0% and not more than 10% of the total budgeted expenditures. The transfers from the General Fund to bridge the gap between revenues and expenditures will be budgeted based on maintaining a zero fund balance. If actual Street Fund results exceed 10% of the total budgeted expenditures, the difference will be considered a surplus up to the total amount of the General Fund transfer. The A~~ portion of Streets Fund monies ~~from~~ are the City's share of Highway User Revenue Fund (HURF) monies and are restricted ~~and cannot be transferred.~~ General Fund transfers are made to bridge the gap between revenues and expenditures. The remaining fund balance of the Streets Fund will automatically carry over to the following fiscal year.

Due to the nature of the Streets Fund projects, expenditures may vary greatly from year to year. The General Fund transfer and the Streets Fund fund balance will be evaluated based on the projected needs in long-range forecasts to level out the required funding levels from the General Fund.

B-C. Grants & Donations Funds: The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carry over to the following fiscal year.

D. Enterprise Funds: Currently, the City's only Enterprise Fund is the Wastewater Fund. The City's current plan is to gradually eliminate the sales tax subsidy to the Wastewater Fund. Once the ~~sales tax subsidy to the Wastewater Fund~~ is eliminated, the reserve levels will be reevaluated.

The fund balance for the Enterprise Funds consists of several balances for multiple purposes. These balances are identified below.

1. Operating Reserve: The operating reserve will be maintained to guard against service disruption in the event of unexpected temporary revenue shortfalls or unpredicted one-time expenses.

The operating reserve range for the Enterprise Funds, including maintenance, operations, and administration shall be not less than 25% (90 days) and not more than 33.3% (120 days) of the total budgeted operating expenses of the Fund.

2. Legal Debt Service Reserve: Debt service reserves required by any bond covenants shall be established to meet those legal requirements.

~~2.3.~~ Policy Debt Service Reserve: In addition to any legally required debt service reserves, The additional debt service reserves shall be established equal to the average of one year of the remaining enterprise fund debt service repayment requirements for any debt issuances that do not have specified reserve requirements and are not covered by bond insurance.

~~3.4.~~ Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.

~~4.5.~~ Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.

~~5.6.~~ Major Maintenance Reserve: A major maintenance reserve will be established and based on an annual allocation of major maintenance costs over the life of the anticipated maintenance need. This reserve will be used to fund the maintenance costs as needed.

~~6.7.~~ Capital Improvements Reserve: A capital improvements reserve will be established and maintained based on the higher of the estimated ensuing fiscal year's "pay-as-you-go" projects or an average of the "pay-as-you-go" projects over the next five years in accordance with the City's Capital Improvement Plan.

~~7.8.~~ Sewer Extension Reserve: A sewer extension reserve will be maintained by contributing a maximum of 10% of the excess revenue over expenditure. The reserve will be used to fund future system extensions.

~~8.9.~~ The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.

~~C.E.~~ Capital Improvements Fund: The Capital Improvements Fund was created to account for resources designated to construct or acquire capital assets and major improvements. Occasionally, these projects may extend beyond a single fiscal year. Therefore, although no specific reserve requirement is established for the Capital Improvements Fund, at a minimum, the fiscal year-end fund balance, coupled with estimated revenues for the ensuing fiscal year, must be sufficient to fund the "pay-as-you-go" capital fund obligations for the next fiscal year. This will follow the City's Capital Improvement Plan.

~~D.F.~~ Development Impact Fee Funds: The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carry over to the following fiscal year.

E.G. Art in Public Places Funds: The fund balance in this fund is restricted to the purposes for which the monies were received. Balances will automatically carry over to the following fiscal year.

F.H. Internal Service Funds: Currently, the City's only Internal Service Fund is the Information Technology Fund. The fund balance for the Internal Service Funds consists of several balances for multiple purposes. These balances are identified below.

1. Budget Carryover Reserve: A reserve will be set aside for any budget carryovers and will not be considered part of any surplus.
2. Equipment Replacement Reserve: An equipment replacement reserve will be established and based on an annual allocation of equipment costs over the useful life of the asset. This reserve will be used to fund the replacement of such equipment.
3. The City may establish additional committed, assigned, or unassigned fund balances in any amount as deemed necessary.

VI. Assignment of Fund Balances

The City Manager is authorized to assign fund balance for specific purposes in accordance with the intent of the City Council and assigned fund balances can only be spent as authorized in the City's Purchasing Policy.

VII. Use of Reserves

It is the intent of the City to limit use of the Operating Reserves to address unanticipated, non-recurring needs. Reserves shall not normally be applied to recurring annual operating expenditures. Reserves, however, may be used to allow time for the City to restructure its operations in a deliberate manner (as might be required in an economic downturn), but such use will only take place in the context of an adopted long-term plan.

VIII. Surplus:

If it is determined there is a surplus (an amount in excess of the fund balance target or the upper limit of the fund balance range for any fund), the funds may be designated or appropriated at the next budget cycle for the following purposes in order of priority:

- A. Eliminate shortfalls in related funds. Any General Fund surplus shall be transferred to cover shortfalls within Streets, Capital Improvement or any other fund initiated by

the City to provide City services. Any Utilities Operating Fund (Enterprise) surplus shall be transferred to the respective Utilities Capital Improvements Fund.

- B. Reduction or avoidance of debt. If there is short- or long-term debt within the fund, the surplus may be applied to reduce or eliminate the debt if financial analysis proves this to be advantageous for the City. If a borrowing is scheduled, the surplus may be used to reduce the principal amount the City needs to obtain if financial analysis proves this to be advantageous for the City.
- C. One-time capital needs. Since a surplus does not represent a recurring source of revenue it should not be used to fund a recurring expense; however, if a one-time capital expenditure has been identified, but not already funded through an appropriation, the surplus may be appropriated for this use.
- D. Tax, fee, or rate stabilization. Surplus funds may be designated for stabilization in order to avoid raising taxes, fees, or rates related to the fund in subsequent years. For instance, a surplus in the Enterprise Fund may trigger reevaluation and possible reduction of the sales tax subsidy provided to the Enterprise Fund in the future.

IX. Shortfall:

If it is determined there is a shortfall (an amount below the fund balance target or the lower limit of the fund balance range for any fund), the fund balance is to be replenished as quickly as possible through the following mechanisms in order of priority:

- A. With exception of funds with legal restrictions as to the use of funding sources, a distribution of surplus from other related funds as delineated under “Surplus” category.
- B. An appropriation during the next annual budget process of at least 20% of the fund balance target or the lower limit of the fund balance range until the lower limit has been reached.
- C. If A. or B. is financially infeasible, a written plan shall be forwarded by the Director of Financial Services to the City Manager for Council approval in order to restore the fund balance to an amount equal to the target or within the range within a practical time frame. This plan may require reduction of services, increases in taxes, fees, or rates, or some combination thereof.

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**CITY COUNCIL
AGENDA BILL**

**AB 2312
November 14, 2017
Regular Business**

Agenda Item: 8d
Proposed Action & Subject: Discussion/possible action regarding the adoption of a resolution approving a City Debt Management Policy.

Department	Financial Services
Time to Present	10 minutes
Total Time for Item	30 minutes
Other Council Meetings	September 13, 2017 (work session) September 27, 2017 (work session)
Exhibits	A. Resolution Adopting Debt Management Policy B. Draft Debt Management Policy (redline version)

City Attorney Approval	Reviewed 11/7/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Approve a resolution approving the City Debt Management Policy	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: As part of their analysis, the Fiscal Sustainability Work Group (FSWG) helped development a debt management policy. The City currently has no debt management policy. The Government Finance Officers Association (GFOA) recommends that state and local governments adopt comprehensive written debt management policies that reflect local, state, and federal laws and regulations. Development of a policy before a need arises can help ensure the policy is not tailored to the specific needs at that time.

Examples of other cities' debt policies were used as a resource for the development of the recommended policy. Some of the areas included in the policy are as follows:

- Guidelines for the use of debt financing
- Types of permitted debt
- Maintenance of credit ratings
- Annual reviews for refunding opportunities.

In addition, clarifications discussed in the September 13, 2017 work session and minor corrections have been included in this draft policy as a redline version.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

However, the FSWG has reviewed and commented on the draft debt management policy at multiple meetings and is supportive of its approval.

Alternative(s): Provide direction to staff for adjustments to the policy for review and action at a later Council meeting.

MOTION

I move to: approve Resolution No. 2017-__, adopting a City Debt Management Policy.

RESOLUTION NO. 2017-___

A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA, APPROVING AND ADOPTING THE CITY DEBT MANAGEMENT POLICY.

WHEREAS, the Mayor and Council of the City of Sedona shall have control of the finances and property of the City pursuant to A.R.S. § 9-240(A) and § 9-499.01 et seq.; and

WHEREAS, the Mayor and Council of the City of Sedona shall have the power to issue bonds for any lawful or necessary purpose under A.R.S. § 35-451, and can issue revenue bonds under A.R.S. § 9-539; and

WHEREAS, the Mayor and the Council of the City of Sedona are empowered to issue bonds for the financing of capital expenditures such as utilities under A.R.S. § 9-522; and

WHEREAS, the Debt Management Policy of the City of Sedona outlines the City's policy of using City obligations permitted to be issued or incurred under Arizona law, such as bonds, to finance capital expenditures; and

WHEREAS, the Debt Management Policy of the City of Sedona provides further detail regarding financing alternatives that are appropriate, the methods of sale of bonds, and the investment of bond proceeds.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA, that the City formally approves and adopts the Debt Management Policy as presented to the Mayor and City Council and hereto as Exhibit A.

PASSED AND ADOPTED by the Mayor and Council of the City of Sedona, Arizona this 14th Day of November, 2017.

Sandra J. Moriarty, Mayor

ATTEST:

Susan L. Irvine, CMC, City Clerk

APPROVED AS TO FORM:

Robert L. Pickels, Jr., City Attorney

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CITY OF SEDONA

Debt Management Policy

Introduction

The City of Sedona (City) maintains conservative financial policies to assure strong financial health both in the short- and long-term. The City is an infrequent issuer of debt and intends to continue that practice.

This policy sets forth comprehensive guidelines for the financing of capital expenditures. It is the objective of the policies that (1) the City obtain financing only when necessary, (2) the process for identifying the timing and amount of debt or other financing be as efficient as possible, (3) the most favorable interest rate and other related costs be obtained, and (4) when appropriate, future financial flexibility be maintained.

Debt financing, which includes general obligation bonds, special assessment bonds, revenue bonds, temporary notes, lease/purchase agreements, and other City obligations permitted to be issued or incurred under Arizona law, shall only be used to purchase capital assets that cannot be acquired from either available current revenues or fund balances.

Guidelines for Use

Debt financing will not be considered appropriate for any recurring purpose such as current operating and maintenance expenditures. The City will use debt financing only for one-time capital improvement projects and unusual equipment purchases, only when estimated future revenue is sufficient to ensure the repayment of the debt obligation, and when at least one of the following ~~circumstances~~ factors apply:

1. Other funding options have been explored and are not viable for the timely or economic acquisition or completion of a capital project.
2. A capital project is mandated by federal or state authorities with no other viable funding option available.
3. The capital project or asset lends itself to debt financing rather than pay-as-you-go funding based on the expected useful life of the project and worthiness to future generations.
4. Any City debt issued in support of a capital project will first be reviewed and approved under the auspices of the City's general plan, an approved master plan, or a Community Focus Area (CFA).

The City will primarily rely on current revenue and cash set-asides to finance its capital improvements. The City believes in funding a significant portion of capital improvements on a "pay-as-you-go" basis. The following criteria will be used to evaluate "pay-as-you-go" vs. debt financing:

Factors Which Favor Pay-As-You-Go Financing:

- The project can be adequately funded from available current revenues and fund balances.
- The project can be completed in an acceptable timeframe given the available revenues.
- Additional debt levels could adversely affect the City's credit rating or repayment sources.
- Market conditions are unstable or suggest difficulties in marketing a debt.

Factors Which Favor Long-Term Debt Financing:

- Revenues available for debt issues are considered sufficient and reliable so that long-term financing can be marketed with an appropriate credit rating, which can be maintained.
- Market conditions present favorable interest rates and demand for City debt financing.
- A project is mandated by state or federal government, and current revenues or fund balances are insufficient to pay project costs.
- A project is immediately required to meet or relieve capacity needs, and existing available cash reserves are insufficient to pay project costs.
- The life of the project or asset financed is five years or longer.

Types of Permitted Debt

City debt will be structured to achieve the lowest possible net interest cost to the City given market conditions, the urgency of the capital project, and the nature and type of any security provided. City debt will be structured in ways that will not compromise the future flexibility to fund projects.

City debts will be amortized for the shortest period consistent with a fair allocation of costs to current and future beneficiaries or users, and in keeping with other related provisions of this policy.

Unless specific compelling reasons exist, there shall be no "balloon" bond repayment schedules, which consist of low annual payments and one large payment of the balance due at the end of the term.

At a minimum, the City will seek to amortize bonds with level principal and interest costs over the life of the issue. Pushing higher costs to future years in order to reduce short-term budget liabilities will be considered only when natural disasters or extraordinary or unanticipated external factors make the short-term cost of bonds prohibitive.

The following is a listing if of the types of permitted debt and general guidelines as to their use.

A. General Obligation (G.O.) Bonds.

G.O. bonds provide the investor with its most secure City transaction, because the City's pledge of its unlimited authority to levy property taxes for debt services.

The sum of all G.O. debt outstanding is governed by the City's statutory legal debt margin but must also conform to limitations on the general credit of the City. Voter approval is required to issue G.O. bonds.

The City will first pursue other options prior to considering an issuance of G.O. bonds.

B. Revenue Bonds

The City may issue bonds secured solely by dedicated revenue streams if doing so will yield clearly identifiable advantages. For the City to issue revenue bonds, a primary objective will be to minimize risk through the use of adequate coverage requirements while remaining in compliance with overall debt management policy objectives. The City will adhere and where necessary take actions to ensure compliance with all outstanding revenue bond covenants.

C. Special Assessment Bonds

The City shall maintain a watchful attitude over the issuance of special assessment bonds for benefit district improvements. While the City's share of any benefit district project may fluctuate, the City will not pay more than 50% of any proposed costs related to a benefit district. Further, each special assessment bond issue will be analyzed to ensure that future special assessments will equal or exceed the annual principal and interest payments of such bonds.

Financing Alternatives

One of the primary decisions made regarding the [Capital Improvements Plan \(CIP\)](#) is whether to use cash on hand or debt financing. The parameters for this decision are defined below within each funding source that is considered appropriate.

Cash Funding

City policy encourages funding capital projects with cash, on a "pay as you go" basis, to the extent possible and practical. As part of the pay-as-you-go strategy, the City will first look for grant and other restricted funding for capital projects. Cash funding is recommended under the following circumstances:

- To finance purchases of assets whose lives are shorter than five years
- To finance recurring maintenance expenditures (i.e., street repair vs. street construction)
- When market conditions are unstable or present difficulties in achieving acceptable interest rates.

Debt Financing

It is prudent policy to use notes and bonds for capital asset funding under the parameters set forth below. No single parameter stands alone; they must all be considered under the current circumstances and in relation to the others. The parameters are as follows:

- Long-term bonds are recommended for projects with useful lives of ten years or longer.
- Special assessment debt funding is recommended for projects where the burden of payment rests more directly on a selected group of taxpayers or beneficiaries.

Capital Lease Debt

The use of lease/purchase agreements in the acquisition of vehicles, equipment and other capital assets shall be considered carefully relative to any other financing option or a "pay-as-you-go" basis.

- Capital lease debt may be considered to finance capital improvements, including vehicles and equipment with an expected useful life of less than ten years. Principal and interest are to be paid from the operating budget or other dedicated resources of the department purchasing the equipment or constructing the capital improvement.
- Certificates of Participation (COPs) are a form of lease obligation in which the City enters into an agreement to pay a fixed amount annually to a third party, usually a nonprofit agency or a private leasing company or trust structure, subject to annual appropriation.

Low Interest Loan

The use of federal and state aided low interest loans will be a valid financing mechanism and should be considered. This method of financing should be used wherever practical to fund a project. Some loans may have additional requirements that can be cost prohibitive.

Credit Enhancements

Credit enhancement (letters of credit, bond insurance, etc.) may be used if the costs of such enhancements will reduce the net debt service payments on the bonds or provide other significant financial benefits to the City.

Variable Rate Debt

The City shall not issue variable rate debt.

Selecting and Retention of Service Providers

The Director of Financial Services shall be responsible for the solicitation and selection of professional services that are required to administer the City's debt program. Examples of those services include:

1. Bond Counsel

All debt issued by the City will include a written opinion by bond counsel affirming that the City is authorized to issue the proposed debt. The opinion shall include confirmation that the City has met all city and state constitutional and statutory requirements

necessary for issuance, a determination of the proposed debt's federal income tax status and any other components necessary for the proposed debt.

2. Financial Advisor

A Financial Advisor(s) will be used to assist in the issuance of the City's debt. The Financial Advisor will provide the City with objective advice and analysis on debt issuance. This includes, but is not limited to, monitoring market opportunities, structuring and pricing debt, and preparing official statements of disclosure.

3. Underwriters

An Underwriter(s) will be used for all debt issued in a negotiated or private placement sale method. The Underwriter is responsible for purchasing negotiated or private placement debt and reselling the debt to investors.

Methods of Sale

Each of the three types of bond sales has the potential to provide the lowest cost given the right market conditions. The method of sale that is most advantageous to the City will be determined under consultation with the City's Financial Advisor. The three methods are:

- a. **Competitive Sale.** Bonds are marketed to a wide audience of investment banking (underwriting) firms. Their bids are submitted at a specified time. The underwriter is selected based on its bid for its securities. Pursuant to this policy, and within the parameters approved by the City Council, the Director of Financial Services is hereby authorized to sign the bid form on behalf of the City fixing the interest rates on bonds sold on a competitive basis.
- b. **Negotiating Sale.** The City selects the underwriter or group of underwriters of securities in advance of the bond sale. The City financing team works with the underwriter to bring the issue to the ~~market~~ market and negotiates all rates and terms of the sale. In advance of the sale, the City will determine compensation for and liability of each underwriter employed and the designation rules and priority of orders under which the sale itself will be conducted (e.g., retail, group net, net designated, etc.). Pursuant to this policy and within the parameters approved by the City Council, the Director of Financial Services is hereby authorized to sign the bond purchase agreement on behalf of the City fixing the interest rates on bonds sold on a negotiated basis.
- c. **Private Placement.** The City sells its bonds to a limited number of sophisticated investors, and not the general public.

Disclosure

The City will comply with the requirements of Rule 15c2-12 of the Securities and Exchange Commission (SEC), when applicable. The Director of Financial Services, or his/her designee, will be responsible for filing the annual requirements and any Material Event Notices with Electronic Municipal Market Access (EMMA) as required.

Debt Limits

The City will fully comply with all debt limitations imposed by the Arizona Revised Statutes (A.R.S.).

Credit Ratings

The City will maintain good communication with bond rating agencies about its financial condition. This effort will include providing periodic updates on the City's general financial condition in accordance with the bond rating agency requirements, coordinating meetings, and presentations in conjunction with a new issuance. The City will continually strive to maintain its bond rating by improving financial policies, budgets, forecasts, and the financial health of the City.

Credit enhancements may be used to improve or establish a credit rating on a City debt obligation. Credit enhancements should only be used if cost effective.

Defeasance, Prepayment and Refunding

Annual reviews of all outstanding debt will be undertaken to determine refunding opportunities. Refunding will be considered (within federal tax law constraints) if and when there is a net economic benefit of the refunding or the refunding is essential in order to modernize covenants essential to operations and management.

City staff and the financial advisor shall monitor the municipal bond market for opportunities to obtain interest savings by refunding outstanding debts. As a general rule, debt refundings will be undertaken only if the present value savings of a particular refunding will exceed 3% of the refunded principal.

Some refundings may be executed for reasons other than to achieve cost savings, such as to restructure the repayment schedule of the debt, to change the type of debt instruments being used, or to retire an indenture in order to remove undesirable covenants. Refunding issues with negative savings will not be considered unless a compelling public policy objective is served by the refunding.

Investments of Bond Proceeds

The City shall comply with all applicable federal, state, and indenture restrictions, if any, regarding the use and investment of bond proceeds. This includes compliance with any restrictions on the types of investment securities allowed, restrictions on the allowable yield of invested funds, as well as restrictions on the time period over which some bond proceeds may be invested. The Director of Financial Services, or his/her designee, will direct the investment of bond proceeds in accordance with the permitted investments for each particular bond issue. Investments, such as guaranteed investment contracts, may be considered when their use is in the best interest of the City and will be selected on a competitive basis.

Federal Arbitrage and Rebate Compliance:

All the City's tax-exempt issues, including lease purchase agreements, are subject to arbitrage compliance regulations.

The City shall comply with all arbitrage rebate requirements as established by the Internal Revenue Service (IRS) and establish a system of record-keeping and reporting to meet the arbitrage rebate compliance requirements of the federal tax code. This effort shall include tracking project expenditures financed with bond proceeds, tracking investment earnings on bond proceeds, calculating rebate payments in compliance with tax law, and remitting any rebatable earnings to the federal government in a timely manner in order to preserve the tax-exempt status of the City's outstanding tax-exempt debt issues.

Arbitrage service providers maybe used to assist the City with complying with arbitrage regulations.

Issuance & Post-Issuance Compliance Procedures:

Staff will work closely with the City's Bond Counsel, Financial Advisor, and Arbitrage Compliance Specialist to ensure tax exempt bonds remain in compliance with federal tax requirements from the time they are issued until they are no longer outstanding.

Reporting

The Financial Services Department is charged with the responsibility of preparing monthly financial reports. The monthly financial report will include a summary of the City's outstanding debt. If the City has any outstanding G.O. bonds, the monthly financial report will also include a calculation of the City's debt capacity.

On an annual basis, the Financial Services Department will prepare the state required Bonded Indebtedness Report in accordance with A.R.S. §35-501. This report must be filed even if the City has no bond indebtedness or lease/purchase data to report. If the City fails to comply, the City shall not issue any additional bonds or other securities. Furthermore, any person or member of any governing body knowingly omitting or refusing to comply with this request is guilty of a class 2 misdemeanor per A.R.S. §35-502.

The Financial Services Department will also be responsible for preparing all required debt related schedules and footnotes for inclusion in the City's comprehensive annual financial report.

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**CITY COUNCIL
AGENDA BILL**

**AB 2317
November 14, 2017
Regular Business**

Agenda Item: 8e
Proposed Action & Subject: Discussion/possible direction regarding potential expenditures related to minor transportation projects.

Department	Public Works
Time to Present	5 minutes
Total Time for Item	30 minutes
Other Council Meetings	September 13, 2017, September 27, 2017, October 10, 2017 (These are the meetings specifically discussing the sales tax)
Exhibits	N/A

City Attorney Approval	Reviewed 11/6/17 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Provide direction to staff confirming the approval process for implementation of transportation projects.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: City Council has approved moving forward with a new ½ cent sales tax dedicated to transportation projects and administration. This agenda item is meant to confirm the process for advancing projects through the decision making process.

The new proposed sales tax pending final approval was largely based on a presentation of possible large projects presented as part of the Transportation Master Plan. There were instances in the presentation of the Master Plan where we referenced possible small scale projects or ancillary costs associated with large scale projects. However, there are bound to be other small scale projects that fit well within the goals of the Transportation Master Plan and the future ordinance approving an additional tax that were not discussed explicitly and/or individually with the Council. As an example, staff is pursuing some preliminary feasibility work on the Forest Road connection prior to developing a scope for design. Staff would like to add cameras to capture congestion on SR 179 similar to what we currently utilize on SR 89A north of Uptown. Staff also anticipates continuing to collect travel time data that will help us refine analysis during design of projects and assess the relief in congestion once a project is complete. All of these are examples of projects that are consistent with the Master Plan

goals but not individually identified and discussed with Council. Similarly, they are all likely below a procurement threshold that would require Council approval.

Staff is seeking confirmation that they should proceed with these kinds of projects using the normal procurement thresholds to determine when to seek Council approval. Council could opt to be more involved than normal with these approvals but it risks slowing down progress. Council would already make all decisions regarding contracts over \$100,000 and anything involving acquisition of property. Staff is also committed to bring decisions to Council if they are anticipated to be controversial.

Community Plan Compliant: Yes - No - Not Applicable

As widely acknowledged and stated in the Sedona Community Plan and as a major destination for travelers, Sedona has long experienced traffic congestion that can seem out of proportion with the population. The Plan discusses the goal to create a more walkable and bikeable community with less dependence on cars, while recognizing that Sedona's circulation system must continue to accommodate vehicles.

The Plan further states that land use patterns are the key to traffic solutions. However, adding significant capacity by improving existing roads or building new roads to address congestion can create a cycle that ultimately leads to more congestion.

The Plan includes a number of Circulation Policies that discuss a number of options, improvements, and methods to address circulation. The need to conduct a comprehensive study of Sedona's existing traffic conditions and future circulation needs is supported in the Plan's Circulation Action Plan. Action Item #2 states: "Prepare a traffic study and citywide traffic model (corridor and access control planning for the West Sedona commercial corridor and traffic mitigation for Uptown, including evaluation of "Complete Streets" standards to promote multi-modal circulation). Complete Streets is a federal program with policies that look at how a street system serves all users: vehicles, pedestrians, bicycles, transit, rather than the traditional "level of service" which is a measure of automobile congestion.

Some key issues identified in the Sedona Community Plan are:

- Lack of alternative routes to the highway
- Lack of arterial routes
- Lack of connecting streets between neighborhoods
- Severe traffic congestion in Uptown and on State Route 179
- Need to improve parking availability and wayfinding throughout the community
- Lack of access control on State Route 89A
- Need for clearer solutions for balancing increased tourism with infrastructure improvements.

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for discussion and possible direction only.