

**Action Minutes
Special City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Wednesday, April 25, 2018, 8:00 a.m.**

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

Mayor Moriarty called the meeting to order at 8:00 a.m.

2. Roll Call

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

Staff Present: City Manager Justin Clifton, Assistant City Manager Karen Osburn, City Attorney Robert Pickels, Jr., Legal Assistant Katie Johnson, Finance Director Cherie Wright, Budget & Accounting Supervisor Jessica Tucker, Accounting Supervisor Derrick Beracy, Information Technology Manager Chuck Hardy, Human Resources Manager Brenda Tammarine, Chief of Police David McGill, Economic Development Director Molly Spangler, Parks & Recreation Manager Rachel Murdoch, Recreation Coordinator II Ali Baxter, Director of Public Works & City Engineer Andy Dickey, Associate Engineer James Crowley, Wastewater Manager Roxanne Holland, City Clerk Susan Irvine.

3. Special Business

Work Session on City of Sedona budget for Fiscal Year 2018/2019. The Council may take action to give direction to staff regarding amendments or changes to the proposed City budget or Capital Improvements Plan.

a. Public Comment

Elaine Vail, Sedona, requested that Council consider allocating land for pickleball courts.

Jay Singer, Sedona, asked Council to consider constructing dedicated pickleball courts.

Patti Childers, Sedona, requested that Council donate land so the pickleball players can construct pickleball courts with their funds. They would initially like to construct 8 courts now and 8 more later.

John Plotkin, Sedona, asked Council to consider support of additional pickleball courts.

b. An introduction to and overview of the 2018/2019 Fiscal Year Budget process will be presented, and strategic budget issues for FY 2019 will be discussed.

Presentation by Cherie Wright and Justin Clifton.

Questions from Council.

Introduction – Cherie gave an overview of the remaining dates on the budget calendar and how the budget it is organized. Cherie thanked the Citizens Budget Work Group: Charlotte Hosseini, Janice Howes Hudson, Anne Khoury, John Martinez, Holli Ploog,

and Jessica Williamson; and the Revenue Forecasts Work Group: Cari Meyer, Molly Spangler, and Jennifer Wesselhoff for their feedback and dedication of time. This budget represents the third year of the planned three-year phased implementation of program and performance budgeting. The intent is to focus the decision-making process on the services and outcomes for the dollars invested. She talked about program budgeting and indirect cost allocations.

There are several significant process and operational areas addressed in this year's budget including:

- Departments that have historically ended the fiscal year with a budget surplus were asked to review and refine their budgets to better align their budgets with anticipated actual expenditures.
- Four of the City's community service contracts are expiring on June 30, 2018. These organizations have submitted requests for funding levels to be considered in the contract renewal process. These requests have been reviewed by the Citizens Budget Work Group, and the proposed budget includes funding based on their recommendations.
- In the prior fiscal year, one-time vs. ongoing revenues and expenditures were identified. Due to the unexpected magnitude of one-time items, changes were made to the accounting structure to account for these items. The new accounting structure was implemented for FY 2019 only. Prior fiscal years have not been adjusted to reflect the change.
- Changes were also made to better separate services vs. supplies expenditures. The intention is to provide better information in the future for comparisons of in-house vs. outsourced costs.
- A new Transportation Sales Tax Fund was added to account for the new half-cent sales tax. Operational costs will be recorded in this fund, and transfers will be made to the Capital Improvements Fund to cover the cost of capital projects. Initially, the only operational costs are related to the additional engineering position to aide in the progress of transportation projects that was discussed during the meetings regarding the funding of the projects and the new sales tax. This fund may also be used in the future for operational costs associated with contemplated transit projects.

Budget Overview – Cherie stated that the total proposed expenditures are \$50.5 million and proposed revenues are \$44.4 million, excluding decision packages which will be considered individually. Surplus funds of \$16.8 million are available to fund decision packages, supplement reserves, use toward sunsetting the transportation sales tax early, and/or fund Council priorities.

Council priorities included in the budget are:

- Complete Traffic Improvements
- Land Development Code Update
- Revise City Sign Code
- Sustainable Tourism
- Update Building Code
- CFA Development

- Environmental Sustainability
- Affordable Housing
- Parks Land Acquisition
- Construct Beautification of 89A
- Alternative Expenditure Limitation
- Complete Dells Land Use Planning
- Wireless Master Plan
- Monitor Short-term Rentals
- Storm Water Projects
- Brewer Road Improvements.

Revenue changes from the FY 2018 budget to the FY 2019 budget total \$6.68 million. These are attributed to \$3.02 million in transportation sales tax, \$1.23 million in other sales tax, \$469,000 in bed tax, \$1.08 million in capital projects grants, \$237,000 in paid parking, \$382,000 in one-time capacity fees, and \$259,000 in other adjustments.

Salary and benefit changes include a 4% increase in health insurance and an increase 3% increase in ASRS. PSPRS has been reduced 7% but the unfunded liability increased. The \$250,000 amount for the Hall and Parker lawsuits, in which the courts found the increase in the employee share of the PSPRS contribution rate to be unconstitutional, has been removed. There was a decrease in worker's compensation of \$8,000. A transportation engineering position has been added for a total of \$96,000.

Changes to operations expenses include: tourism management & development increase of \$188,000; community services contracts increase of \$74,000; the biennial election costs of \$43,000; the biennial development impact fee audit of \$20,000; holiday decorations enhancement of \$40,000; monitoring of short-term rentals of \$15,000; Habitat for Humanity project fees totaling \$38,000; electric utility increases of \$73,000; a decrease of \$174,000 for a duplication of IT fund reserve adjustments; an increase to correct an error in wastewater DP's of \$355,000; and other adjustments decreases of \$622,000.

Capital Improvement Project changes include: Arts & Culture increase of \$65,000; Municipal Court decrease of \$199,000; Parks & Recreation decrease of \$1.56 million; Police decrease of \$597,000; Public Works increase of \$537,000; storm drainage decrease of \$429,000; Sedona in Motion (transportation projects) of \$4.86 million; streets & transportation increase of \$694,000; wastewater decrease of \$426,000; arts transfer correction of \$69,000; and wastewater error correction of \$125,000.

Contingencies are budgeted at \$400,000 in the General Fund, \$300,000 in Grants & Donations, and \$200,000 in the Wastewater Fund.

Cherie explained the methodology for indirect cost allocations. Direct costs are assigned or traced to only one specific service or purpose and indirect costs are assigned or traced to more than one service or purpose. Allocation methods were based on factors which were identified to be relevant to the program or department.

Equipment Replacement Reserves are allocated at the following amounts: Information Technology equipment of \$174,000, Wastewater equipment of \$509,000, and general

equipment of \$380,000. There is also a major maintenance reserve in the Wastewater Fund of \$71,000.

Transfers between funds are budgeted as follows: General Fund to Streets Fund of \$253,200; General Fund to Capital Improvements Fund of \$1.5 million; General Fund to Wastewater Enterprise Fund of \$4,487,900; General Fund to Streets Fund from paid parking revenues of \$480,000; and Capital Improvements Fund to Art in Public Places Fund of \$69,258.

Questions and comments from Council throughout presentation.

c. An overview of the Fund Summaries will be presented.

Presentation by Cherie Wright and Justin Clifton.

General Fund - Ongoing revenues are budgeted at \$28.0 million and one-time & contingent revenues are budgeted at \$559,000. Ongoing expenditures are budgeted at \$18.5 million and one-time & contingent expenditures are budgeted at \$2.5 million. FY 2019 Carryovers are as follows: Development Impact Fee Study \$25,000; Public Access Channel/Video Communications \$18,000; Springbrook Training \$15,000; Land Development Code Update \$97,500; Illustrations for Sign Regulations \$10,000; Implementation of Schnebly CFA \$10,000; Illustrations for CFA Plans \$7,000; Court Scanner \$900; Drainage Job Order Contract \$50,000; Market Study Adjustments \$200,000; and Transit Grant Match of \$30,000.

Reserves are as follows: Operating Reserve of \$5.6 million; Debt Service Reserve of \$300,000; and Equipment Replacement Reserve of \$587,000. Balance available after reserves is \$3.3 million.

Decision Packages total \$560,000 in one-time costs and \$1.2 million in ongoing costs for a total of \$1.8 million. City Manager recommended decision packages total \$1.27 million and Citizens Budget Work Group recommended decision packages total \$1.45 million.

Break at 10:00 a.m. Reconvened at 10:15 a.m.

Streets Fund - ongoing revenues are budgeted at \$952,000 with no one-time & contingent revenues. Ongoing expenditures are budgeted at \$1.2 million with no one-time & contingent expenditures. The Fund Balance Reserve is \$121,000, and the balance available after reserves is \$423,000.

Grants & Donations Funds - ongoing revenues are budgeted at \$60,000 and one-time & contingent revenues are budgeted at \$384,000. Ongoing expenditures are budgeted at \$74,000 and one-time & contingent expenditures are budgeted at \$419,000. The Fund Balance is \$418,000, and the balance available after reserves is \$423,000.

Decision Packages total \$10,000 in one-time costs. City Manager recommended decision packages total \$0 and Citizens Budget Work Group recommended decision packages total \$10,000.

Transportation Sales Tax Fund – revenues are budgeted at \$3.0 million and expenditures are budgeted at \$109,080. There is a capital reserve of \$4.0 million which will be fully used for projects in FY 2020.

Capital Improvements Fund - ongoing revenues are budgeted at \$973,000 and one-time & contingent revenues are budgeted at \$1.5 million. There are no ongoing expenditures budgeted and one-time & contingent expenditures are budgeted at \$12.3 million. The Capital Reserves are \$3.9 million and the balance available after reserves is \$5.7 million.

Development Impact Fees Fund - ongoing revenues are budgeted at \$225, with no one-time & contingent revenues. There are no ongoing or one-time & contingent expenditures budgeted. The Fund Balance is \$3.0 million and the balance available after reserves is \$5.7 million.

Art in Public Places Fund - revenues are budgeted at \$69,458 and expenditures are budgeted at \$65,000. The Fund Balance is \$95,000.

Wastewater Enterprise Fund - ongoing revenues are budgeted at \$6.7 million and one-time & contingent revenues are budgeted at \$382,000. Ongoing expenditures are budgeted at \$4.7 million and one-time & contingent expenditures are budgeted at \$10.0 million. The Capital Reserves are \$3.9 million and the balance available after reserves is \$5.7 million.

FY 2019 Carryovers are as follows: Furniture \$1,450; Conduit Installation \$10,000; Influent Channel Cover \$10,000; UV Flow Meter \$8,000; PLC Rack \$7,500; Irrigation Soil Amendment \$30,000; Update O&M \$30,000; WIMS Training \$7,500; Grade 3 Certification \$1,000; and CenturyLink Fiber Connection \$5,480.

Reserves are as follows: Operating Reserve of \$1.8 million; Debt Service Reserve of \$4.1 million; Capital Reserve of \$1.2 million; Equipment Replacement Reserve of \$531,000; Major Maintenance Reserve of \$71,000; and Sewer Extension Reserve of \$0. Balance available after reserves if \$3.7 million.

Decision Packages total \$495,600 in one-time costs and a savings of \$57,780 in ongoing costs for a total of \$437,820. City Manager recommended decision packages total \$175,120 and Citizens Budget Work Group recommended decision packages total \$200,120.

Information Technology Internal Service Fund - ongoing revenues are budgeted at \$1.6 million and one-time & contingent revenues are budgeted at \$64,000. Ongoing expenditures are budgeted at \$1.2 million and one-time & contingent expenditures are budgeted at \$274,000. FY 2019 Carryovers are as follows: Network Security at Shooting Range \$3,000 and Network Security Camera at Shooting Range \$3,000. The Equipment Replacement Reserve is \$33,000 and the balance available after reserves is \$273,000.

Decision Packages total \$15,500 in one-time costs and \$44,200 in ongoing costs for a total of \$59,700. City Manager and Citizens Budget Work Group recommended decision packages total \$59,700.

Questions and comments from Council throughout presentation.

d. An overview of the Capital Improvements Plan will be presented.

Presentation by Cherie Wright and Justin Clifton.

Capital Improvement Projects (CIP) have been prioritized in the following categories: Imperative (must do), Essential (should do), Important (could do), and Desirable (other year).

There is a total of \$17.1 million in available funds with \$9.7 million in Unrestricted Capital Reserves. Restricted funding sources are as follows: Coconino County Flood Control \$333,725; Yavapai County Flood Control \$350,000; Development Impact Fees Funds \$86,800; Paid Parking Revenues \$480,000; Outside Participation \$10,000; Grants \$1.4 million; RICO Monies \$25,000; Court Revenues \$53,000; 1% for Arts \$65,000; and Wastewater Revenues \$4.7 million.

CIP projects are budgeted at \$17.1 million as follows: Art in Public Places \$65,000; Municipal Court \$73,700; Police \$542,854; Public Works \$538,200; Storm Drainage \$3.3 million; Sedona in Motion \$6.8 million; Streets & Transportation \$1.2 million; and Wastewater \$4.7 million. The City Manager does not believe it is realistic to expect that this level of projects can be accomplished in the next fiscal year.

Questions and comments from Council throughout presentation.

e. An overview of the following department budgets is to be presented and reviewed:

Presentation by Cherie Wright and Justin Clifton.

City Council - presentation by Susan Irvine. Performance indicators were reviewed, and Council was uncertain if the per capita spending benchmark was useful. **By majority consensus, Council agreed that they were not interested in engaging an outside consultant to complete a performance audit of all City Departments.** Budget changes including a reduction in direct expenses and an increase in indirect expenses were discussed.

City Clerk's Office - presentation by Susan Irvine. Budget reflects a one-time cost of \$42,500 for election expenses.

Economic Development – presentation by Molly Spangler. Performance indicators and decision packages were discussed.

Break at 12:13 p.m. Reconvened at 12:52 p.m.

Human Resources – presentation by Brenda Tammarine. Performance indicators and a decision package were discussed. Budget reflects a one-time cost of \$15,000 for Springbrook training.

Financial Services – presentation by Cherie Wright. Budget reflects a one-time cost of \$20,500 for an impact fee audit and furniture replacement. Decision packages were discussed.

General Services – presentation by Cherie Wright. Outstanding debt for the City as of July 1, 2018 will be \$27,490,000. Budget reflects a one-time cost of \$5,863,959 for bond payments. Community service contracts up for renewal in FY 2019 are proposed at the following amounts: Sedona Public Library \$445,392, Humane Society of Sedona \$64,785, Sedona Recycles \$85,445, and Sedona Posse Grounds Hub (Red Earth Theatre) \$0 (not being renewed). Small grants funding will be examined by Council to

set the amount. Decision packages were discussed.

Break at 3:03 p.m. Reconvened at 3:14 p.m.

Information Technology – presentation by Chuck Hardy. One-time costs for FY 2019 total \$299,320 for equipment, upgrades, and projects. Decision packages were discussed. **By majority consensus, Council directed staff to evaluate new ERP software programs for a potential CIP project in FY 2020 & 2021.**

City Attorney's Office – presentation by Robert Pickels, Jr.

Municipal Court – presentation by Mike Goimarac. Budget reflects a one-time cost of \$9,000 for furniture for the new court facility. The decision package was discussed. The budget includes a CIP carryover for the Sinagua courtroom remodel in the amount of \$73,700.

Parks & Recreation – presentation by Rachel Murdoch. CIP projects have been deferred for this year. Budget reflects a one-time cost of \$30,000 for a trail management grant.

Public Works – this section was not presented due to lack of available time.

Police – this section was not presented due to lack of available time.

Wastewater – this section was not presented due to lack of available time.

City Manager's Office – this section was not presented due to lack of available time.

Community Development – this section was not presented due to lack of available time.

Questions and comments from Council throughout presentation.

- f. **Recap and review of overall budget, decision packages, capital improvement projects, and impact on long-range forecasts.**

This item was not presented due to lack of available time.

- g. **Items not completed at this meeting will be carried over to the Thursday April 26, 2018, 8:00 a.m. Special Budget Work Session Meeting.**

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.

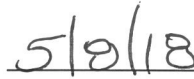
5. **Adjournment.**

At 5:06 p.m., Mayor Moriarty continued the meeting until Thursday morning at 8:00 a.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on April 25, 2018.



Susan L. Irvine, CMC, City Clerk



Date