

AGENDA



4:30 P.M.

CITY COUNCIL MEETING

TUESDAY, APRIL 23, 2019

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

3. CONSENT ITEMS - APPROVE

LINK TO DOCUMENT =

- a. Minutes - April 9, 2019 City Council Regular Meeting.
- b. Minutes - April 10, 2019 City Council Special Meeting—Executive Session.
- c. Minutes - April 10, 2019 City Council Special Meeting.
- d. Approval of Proclamation, Mental Health Awareness Month, May 2019.

4. APPOINTMENTS - None.

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

6. PUBLIC FORUM

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

7. PROCLAMATIONS, RECOGNITIONS & AWARDS

- a. Recognition of retirement of Interim Chief of Police Ron Wheeler.
- b. Presentation of Proclamation, Mental Health Awareness Month, May 2019.

8. REGULAR BUSINESS

- a. AB 2483 **Discussion** regarding staff plans for evaluation of expenditure limitation options, including permanent base adjustment (PBA) and alternative expenditure limitation (Home Rule).
- b. AB 2461 **Discussion/possible action** regarding proposed State legislation and its potential impact on the City of Sedona.
- c. **Reports/discussion** regarding Council assignments.
- d. **Discussion/possible action** regarding 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

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.



Page 2, City Council Meeting Agenda Continued

Posted: _____

By: _____

Susan L. Irvine, CMC
City Clerk

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

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

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

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

Action Minutes
Regular City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Tuesday, April 9, 2019, 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.

Council Present: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor Bill Chisholm, Councilor John Currivan, Councilor Janice Hudson, Councilor Scott Jablow, Councilor Jessica Williamson.

Staff Present: City Manager Justin Clifton, Assistant City Manager/Director of Community Development Karen Osburn, City Attorney Robert Pickels, Jr., Assistant Director of Community Development Warren Campbell, Senior Planner Cynthia Lovely, Economic Development Director Molly Spangler, Arts & Culture Coordinator Nancy Lattanzi, Deputy City Clerk Cherise Fullbright, City Clerk Susan Irvine.

2. City's Vision/Moment of Art

A video of the City's Vision was played.

Nancy Lattanzi stated that April is Poetry Month. She introduced Deb Sanders, 6th grade teacher for the Advanced ELA class at West Sedona Elementary School, whose students worked on a special poetry project as part of the Artist in the Classroom program. They interviewed senior citizens at Sedona Winds and worked with poet Claire Pearson and artist Janna Kirk to create a bound book of poems to be presented to each senior as a gift. The following students each read 2 of their poems aloud: Kimani Baraka, Emily Frey, Sam Johnson, and Amy Brefeld.

3. Consent Items

- a. **Minutes - March 26, 2019 City Council Regular Meeting.**
- b. **Minutes - March 27, 2019 City Council Special Meeting.**
- c. **Approval of Proclamation, Fair Housing Month, April 2019.**
- d. **Approval of Proclamation, Patriots' Day, April 19, 2019.**
- e. **Approval of Proclamation, American Legion Centennial Day, April 27, 2019.**
- f. **AB 2475 Approval of a resolution amending the development agreement between the City of Sedona and Verde Valley Habitat for Humanity for the construction of three owner-occupied affordable housing units located at 460 Peach Lane in Uptown Sedona.**
- g. **AB 2478 Approval of award of a construction contract for the WWRP Tertiary Filter Improvements Project to Strategic Construction Solutions, Inc., in an amount not to exceed of \$1,386,850 and award of a Professional Services Contract for Construction Administration and Inspection (CA&I) Services to Carollo Engineers, Inc. an amount not to exceed \$118,649.**
- h. **AB 2472 Approval of authorization to enter into a Master Equity Lease Agreement and related Maintenance Agreement with Enterprise Fleet Management subject to final review by the City Attorney.**
- i. **AB 2479 Approval of reappointment of Judge Ronald Ramsey and**

Sedona City Council
Regular Meeting
Tuesday, April 9, 2019
4:30 p.m.

appointment of Judge Paul Julien as Pro-Tem Judges for the Sedona Municipal Court.

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

Motion: Councilor Currivan moved to approve consent items 3a, 3b, 3c, 3d, 3e, 3g, 3h, and 3i. Seconded by Councilor Williamson. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Martinez, Chisholm, Currivan, Hudson, Jablow, and Williamson) and zero (0) opposed.

Pulled Consent Items

3f - AB 2475 Approval of a resolution amending the development agreement between the City of Sedona and Verde Valley Habitat for Humanity for the construction of three owner-occupied affordable housing units located at 460 Peach Lane in Uptown Sedona.

Questions and comments from Council. Answered by Robert Pickels, Jr.

Motion: Councilor Currivan moved to approve consent item 3f as amended. Seconded by Councilor Jablow. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Martinez, Chisholm, Currivan, Hudson, Jablow, and Williamson) and zero (0) opposed.

4. Appointments – None.

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

Councilor Chisholm stated that honorably discharged veterans can get their names inscribed at the Military Park. A form is available on the City's website which must be accompanied by a \$100 minimum donation. Applications received by May 2nd will have the names inscribed prior to the Memorial Day ceremony on May 27th at 9:00 a.m. The AZ Community Foundation of Sedona is accepting nominations for the Spirit of Sedona awards, and the form can be found at www.azfoundation.org. A Back the Blue event will take place on Saturday, and tickets can be obtained by contacting Marie Bradshaw at 928-300-0165. He also attended a Hope House of Sedona meeting and learned more about the Church of the Red Rocks homeless shelter project which was recommended for CDBG funding. Councilor Currivan advised that the Sedona Community Center hosted a volunteer appreciation event last Saturday. Vice Mayor Martinez stated that the City is hosting a household hazardous waste and electronics collection event on Saturday from 8:00 a.m. to noon at Sedona Red Rock High School. Vice Mayor Martinez advised that the Celebration of Spring will take place on April 20th and tickets are on sale now. Councilor Hudson advised that there will be a Pioneer Pitch shark tank type event at Blazin' M Ranch in Cottonwood at 9:30 a.m. on Saturday.

6. Public Forum

Dorde George Cedec, Sedona, spoke about the Worldwide Cultural Exchange Program, advised that some students from the program would speak individually, and thanked the host families for their participation.

Rabab Hasnain, Pakistan (Cottonwood), described her country and stated that she is attending Mingus Union High School. She described the application and selection

process for becoming an exchange student through the Youth Exchange Services (YES) program.

Yasmine Kharrat, Tunisia (Sedona), spoke about her country and advised she is also a YES student.

Lana Kurtanidze, Georgia (Sedona), described her country, language, and government. She is an exchange student through the Flex Program which is for students from the Soviet Union.

Jerry Showalter, Oak Creek Canyon, asked for the Council's support in getting American flags in Uptown Sedona on national holidays.

7. Proclamations, Recognitions, and Awards

a. Presentation of Proclamation, Patriots' Day, April 19, 2019.

Mayor Moriarty read the Proclamation and presented it to James D. Cates, President of Prescott Sons of the American Revolution (SAR). Mr. Cates described the SAR and invited people to join their organization.

b. Presentation of Proclamation, American Legion Centennial Day, April 27, 2019.

Mayor Moriarty read the Proclamation but did not present it as nobody was present to accept it.

8. Regular Business

a. AB 2388 Public hearing/discussion/possible action regarding approval of a resolution adopting the Community Focus Area (CFA) Plan for the Sunset Live/Work CFA.

Presentation by Cynthia Lovely, Warren Campbell, Molly Spangler, Karen Osburn, and Justin Clifton.

Questions from Council.

Opened the public hearing at 6:26 p.m.

The following spoke on this item: James Almada, Sedona, Maralyn Mencarini, Sedona, Jim McCabe, Sedona, Roger Shlonsky, Sedona, James Mattia, Sedona, Sheila Hoffmeyer, Sedona, Dale Casey, Sedona, Marci Taylor, Sedona, Phillippe Buillet, Sedona, Janet Buillet, Sedona, Laura Rumann, Sedona.

Closed the public hearing and brought back to Council at 6:49 p.m.

Break at 6:50 p.m. Reconvened at 7:13 p.m.

Further questions and comments from Council.

Motion: Councilor Jablow moved to approve the Sunset Live/Work Community Focus Area Plan dated April 9, 2019 as revised by Council. Seconded by Councilor Hudson. Further discussion by Council. Roll call vote: Councilor Williamson – aye, Councilor Jablow – aye, Vice Mayor Martinez – nay, Mayor Moriarty – aye, Councilor Chisholm – nay, Councilor Hudson – aye, and Councilor Currivan – nay. Motion

carried with four (4) in favor (Moriarty, Hudson, Jablow, and Williamson) and three (3) opposed (Martinez, Chisholm, Currivan).

Motion: Councilor Jablow moved to approve Resolution 2019-07, as revised by Council adopting the Sunset Live/Work Community Focus Area Plan and authorizing staff to make final non-substantive format changes. Seconded by Councilor Hudson. Further discussion by Council. Roll call vote: Councilor Williamson – aye, Councilor Jablow – aye, Vice Mayor Martinez – nay, Mayor Moriarty – aye, Councilor Chisholm – nay, Councilor Hudson – aye, and Councilor Currivan – nay. Motion carried with four (4) in favor (Moriarty, Hudson, Jablow, and Williamson) and three (3) opposed (Martinez, Chisholm, Currivan).

- b. AB 2481 Discussion/possible action regarding a letter to the Yavapai College Governing Board expressing support for the formation of a centralized career and technical education facility for the Verde Valley.**

Presentation by Justin Clifton and Councilor Jablow.

Questions and comments from Council.

By majority consensus, Council authorized the Mayor to sign a letter to the Yavapai College Governing Board expressing support for the formation of a centralized career and technical education facility for the Verde Valley on behalf of the City Council.

- c. AB 2461 Discussion/possible action regarding proposed State legislation and its potential impact on the City of Sedona.**

Presentation by Robert Pickels, Jr.

Questions and comments from Council.

Discussion only. No action taken.

- d. Reports/discussion on Council assignments**

Councilor Jablow advised that Austin Gates resigned from the Sedona Humane Society.

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

Mayor Moriarty advised that there is an executive session tomorrow at 2:15 p.m. followed by a work session at 3:00 p.m. Councilor Williamson requested an agenda item to invite the new Yavapai College President to attend a Council meeting to discuss her vision for the Verde Valley. Mayor Moriarty supported the request.

10. 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.

11. Adjournment

Mayor Moriarty adjourned the meeting at 8:52 p.m. without objection.

I certify that the above are the true and correct actions of the Regular City Council Meeting held on April 9, 2019.

Susan L. Irvine, CMC, City Clerk

Date

Action Minutes
Special City Council Meeting - Executive Session
Vultee Conference Room, Sedona City Hall,
106 Roadrunner Drive, Sedona, Arizona
Wednesday, April 10, 2019, 2:15 p.m.

1. Call to Order

Mayor Moriarty called the meeting to order at 2:15 p.m.

2. Roll Call

Council Present: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor Bill Chisholm, Councilor John Currivan, Councilor Janice Hudson, Councilor Scott Jablow, Councilor Jessica Williamson.

Staff in attendance: City Manager Justin Clifton, Assistant City Manager/Community Development Director Karen Osburn, City Attorney Robert Pickels, Jr., Engineering Supervisor Stephen Craver, Deputy City Clerk Cherise Fullbright, City Clerk Susan Irvine.

3. Executive Session

Motion: Vice Mayor Martinez moved to enter into Executive Session at 2:15 p.m. Seconded by Councilor Williamson. Vote: Motion carried unanimously with seven (7) in favor (Moriarty, Martinez, Chisholm, Currivan, Hudson, Jablow, and Williamson) and zero (0) opposed.

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

- a. **Discussion/consultation with staff and the City Attorney regarding potential negotiations for the acquisition of real property for the siting of a transit hub in the vicinity of the “Y” intersection in the City of Sedona. This matter is brought in executive session pursuant to A.R.S. 38-431.03(A)(7).**
- b. **Return to open session. Discussion/possible action on executive session items.**

No action was taken.

4. Adjournment

Mayor Moriarty adjourned the meeting at 2:52 p.m.

I certify that the above are the true and correct actions of the Special City Council Meeting held on April 10, 2019.

Susan L. Irvine, CMC, City Clerk

Date

Action Minutes
Special City Council Meeting
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Wednesday, April 10, 2019, 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.

Roll Call: Mayor Sandy Moriarty, Vice Mayor John Martinez, Councilor Bill Chisholm, Councilor John Currivan, Councilor Janice Hudson, Councilor Scott Jablow, Councilor Jessica Williamson.

Staff Present: City Manager Justin Clifton, Assistant City Manager/Community Development Director Karen Osburn, City Attorney Robert Pickels, Engineering Supervisor Stephen Craver, Deputy City Clerk Cherise Fullbright, City Clerk Susan Irvine.

2. Special Business

- a. AB 2462 Discussion/possible direction regarding preliminary recommended service options identified by LSC Consultants as part of the development of a greater Sedona/Oak Creek Canyon transit system and implementation plan.**

Presentation from Karen Osburn, LSC Transportation Consultants staff members Senior Advisor A.T. Stoddard and Senior Transportation Planner Jason Miller, Transit Marketing LLC Marketing Consultant Selena Barlow, and Justin Clifton.

Questions from Council.

Opened to the public at 5:33 p.m.

The following spoke on this item: Jim Gale, Sedona.

Brought back to Council at 5:33 p.m.

Further questions and comments from Council.

Presentation and discussion only. No action taken.

- b. Discussion/possible action on future meeting/agenda items - None.**

3. 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.**

Executive Session was held as shown above.

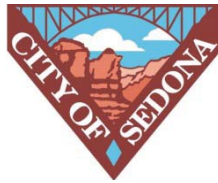
4. Adjournment

Mayor Moriarty adjourned the meeting at 5:34 p.m. without objection.

I certify that the above are the true and correct actions of the Special City Council Meeting held on April 10, 2019.

Susan L. Irvine, CMC, City Clerk

Date



City of Sedona Proclamation Request Form

Full Name of Contact Person	Barbara Litrell
Contact Phone Number	928-649-0135
Contact Mailing Address	75 Lolomi Drive, Sedona, AZ 86336
Contact Email Address	blitrell@aol.com
Group, Organization, Activity or Event Being Recognized (Please make sure you provide complete and current information about the group or event)	Mental Health Awareness Month
Website Address (if applicable)	www.mentalhealthcoalitionvv.org
Name of the sponsor(s) of the Proclamation (2 Council members or the City Manager)	Vice Mayor John Martinez Councilor Scott Jablow
What is the proclaimed day, days, week or month? (e.g. 10/11/12, October 11-17, 2012, October 2012)	Month of May 2019
Would you like to attend a Council meeting for formal presentation of the Proclamation or would you like to pick it up?	<input checked="" type="checkbox"/> Presentation at Meeting <input type="checkbox"/> Pick up Proclamation
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.	Barbara Litrell

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

The Mental Health Coalition Verde Valley (MHCVV) is a non-profit volunteer organization dedicated to building community support for individuals and families living with mental illness through education, advocacy, and community support services. MHCVV was founded in November 2013, is located in Sedona, and serves the entire Verde Valley.

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?

The proclamation is important to the community to show support of individuals living with mental illness and their families. The proclamation reinforces the message that is important to talk about mental illness, that help is available, and that there is hope for recovery. We are requesting the proclamation to show City Council support for this initiative dedicated to the health and welfare of our residents and visitors. A whole month of activities is planned including panels, presentations, films, community conversations, and community gatherings. We will promote this throughout the Verde Valley with P.R., fliers, and social media.

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
Mental Health Awareness Month
May 2019**

WHEREAS, one in four adults experiences mental illness every year and approximately half of chronic mental illness begins by the age of 14 and three-quarters by age 24; and

WHEREAS, mental illness includes major depression, bipolar disorder, schizophrenia, anxiety disorders, posttraumatic stress disorder (PTSD), attention-deficit hyperactivity disorder (ADHD), and borderline personality disorder; and

WHEREAS, scientific research is constantly working toward breakthroughs in the understanding of mental illness, resulting in more effective treatments to allow people to reclaim full and productive lives; and

WHEREAS, misunderstandings exist about mental illness and social culture often wrongly imposes a stigma on mental illness that discourages people from seeking help when they need it; and

WHEREAS, The Mental Health Coalition of the Verde Valley was established in 2013 with the vision of a safe, healthy, inclusive community where all individuals and families challenged by mental illness can live full and rewarding lives; and

WHEREAS, the Mission of the Coalition is to build community support and awareness for individuals and families challenged by mental illness through education, advocacy, and community services; and

WHEREAS, in addition to its regular monthly programs, the Coalition has organized in May 2019 a month of programs including films followed by community conversations; a Mental Health Monday program related to the connection between body, mind, and spirit; a free 8-hour training in Mental Health First Aid; and an artistic endeavor called Our Stories Ourselves – a month long wellness writing program culminating in a live performance on May 31st at Mary D. Fisher Theatre.

NOW, THEREFORE, I, SANDY MORIARTY, MAYOR OF THE CITY OF SEDONA, ARIZONA, ON BEHALF OF THE SEDONA CITY COUNCIL, do hereby proclaim May 2019 as Mental Health Awareness Month in Sedona to increase community awareness of mental illness, and if we replace the “I” in Mental Illness with “WE”, it becomes Mental Wellness. We invite the community to be part of this endeavor.

Issued this 23rd day of April, 2019.

Sandra J. Moriarty, Mayor

ATTEST:

Susan L. Irvine, CMC, City Clerk



**CITY COUNCIL
AGENDA BILL**

**AB 2483
April 23, 2019
Regular Business**

Agenda Item: 8a

Proposed Action & Subject: Discussion regarding staff plans for evaluation of expenditure limitation options, including permanent base adjustment (PBA) and alternative expenditure limitation (Home Rule).

Department	Financial Services
Time to Present	15 minutes
Total Time for Item	30 minutes
Other Council Meetings	N/A
Exhibits	N/A

City Attorney Approval	Reviewed 4/16/19 RLP	Expenditure Required	\$ 0
City Manager's Recommendation	Discuss and provide direction regarding the evaluation of expenditure limitation options.	Amount Budgeted	\$ 0
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: During the January 2019 Council retreat, the Council identified evaluation of the City's expenditure limitation options as a high priority.

State-Imposed Expenditure Limit

In 1980, Arizona voters approved Arizona Constitution, Article IX, § 20, prescribing an expenditure limitation for each city and town. The expenditure limitation's purpose was to control expenditures of local revenues and limit future increases in spending to adjustments for inflation and population growth.

The Constitution required the Economic Estimates Commission (EEC)¹ to establish a base limit from FY 1979-80 actual expenditures of local revenues for each city and town. Each year, the EEC calculates the constitutional expenditure limitation by adjusting each city's and town's

¹ The EEC consists of three members: the Director of the Arizona Department of Revenue or designee serving as chairman and two persons knowledgeable in the field of economics, one appointed by the President of the Senate and one appointed by the Speaker of the House of Representatives. Current members include Deputy Director Grant Nülle, Elliott D. Pollack, and Alan Maguire.

base limit for any voter-approved permanent base adjustments, annexations, changes in population, and inflation since the base year.

The EEC, by law, must determine the base limit of a newly incorporated city or town. This is accomplished by calculating the average amount of actual FY 1979-80 per capita payments of local revenues for all cities and towns within the county in which the new city or town is located. This average per capita figure will then be multiplied by the population of the new city or town resulting in the base limit for such community. Since the City of Sedona was incorporated after 1980, the City's base limit was calculated in this manner.

Constitutionally Allowable Exclusions

The expenditure limitation applies only to expenditures of local revenues as defined by Arizona Constitution, Article IX, § 20(3)(d). Generally, local revenues include all monies received by or for the account of the city or town; however, the Constitution excludes some monies such as grants and aid from the federal government and certain revenues received from the State from the local revenues definition.

As a blanket statement, everything not specifically excluded is included under the state-imposed expenditure limitation. Only the following items are exempt from the state-imposed expenditure limit:

- Expenditures paid from debt proceeds
- Debt repayment expenditures
- Expenditures paid from dividends, interest, and gains on the sale or redemption of investment securities
- Expenditures of any amounts received by the city in the capacity of trustee, custodian, or agent
- Expenditures paid from grants and aid from the federal government
- Expenditures paid from grants, aid, contributions, or gifts from a private agency, organization, or individual, except amounts received in lieu of taxes
- Expenditures paid from amounts received from the state that are included in the state's appropriation limit
- Expenditures paid from revenues due to quasi-external interfund transactions
- Expenditures paid from amounts accumulated for the purchase of land, and the purchase or construction of buildings or improvements, if such accumulation and purpose have been approved by the voters of the political subdivision
- Expenditures paid from Highway User Revenue Fund (HURF) revenues in excess of HURF revenues received in FY 1979-80
- Expenditures paid from revenues derived from contracts with other political subdivisions
- Expenditures paid from refunds, reimbursements, and other recoveries of expenditures applied against the expenditure limit of a prior fiscal year
- Any voter-approved exclusions
- Expenditures of any of the aforementioned excludable revenue sources that were expended in a fiscal year subsequent to the fiscal year that the revenue was received
- Expenditures for capital improvements that are subsequently repaid from bond proceeds or other long-term debt obligations

Consequences of Exceeding Expenditure Limitation

In accordance with A.R.S. § 41-1279.07(H), a city or town that exceeds its expenditure limitation without authorization will have a portion of its state income tax withheld (urban

revenue sharing monies).² The City of Sedona receives approximately \$1,250,000 in urban revenue sharing monies each year.

Expenditure Limitation Options

If the state-imposed limit does not allow for the expenditure of sufficient funds to meet local needs, the constitution provides five alternative expenditure options to potentially solve this problem:

- Alternative Expenditure Limitation (Home Rule Option)
- Permanent Base Adjustment
- Capital Projects Accumulation Fund
- One-Time Override
- Emergency Override

All of these options, except governor-declared emergencies, require voter approval³ and, therefore, involve a certain amount of risk. If the voters say “no,” then the city or town will be under whatever voter approved expenditure limitation still in effect or subject to the state-imposed limitation.

Home Rule⁴ – Arizona Constitution, Article IX, § 20(9), allows a city or town to adopt an alternative expenditure limitation (**Home Rule**) with voter approval. The **Home Rule** option is free from any ties to the state-imposed expenditure limitation. The annual adopted budget becomes the alternative expenditure limitation for the city or town.

Constitutionally allowable exclusions apply only to entities bound by the constitutional expenditure limitation. However, a city or town under **Home Rule** may use any exclusions specifically identified in its voter-approved **Home Rule** proposal. The City of Sedona has not previously included any exclusions in the ballot language.

When a **Home Rule** Option is adopted, it remains in effect for four years. Following the fourth year, the state limit is re-imposed unless the Home Rule alternative (or another expenditure limitation option) is approved.

Permanent Base Adjustment (PBA)⁵ – Arizona Constitution, Article IX, § 20(6), allows a city or town to permanently adjust its base limit with voter approval. The **PBA** applies to **all** future years; however, voters may adopt additional adjustments. Once a **PBA** has been implemented and the city or town is operating under the new base, the constitutionally allowable exclusions apply.

Capital Projects Accumulation Fund – No cities or towns have the Capital Projects Accumulation Fund as an expenditure limitation option since the **Home Rule** option and **PBA** can include capital projects expenditures.

² If the excess expenditures are less than 5% of the limitation, the amount withheld is equal to the excess expenditures. If the excess expenditures are between 5% and 10% of the limitation or are less than 5% of the limitation but it is at least the second consecutive instance of excess expenditures, the amount withheld is equal to three times the excess expenditures. If the excess expenditures are equal to 10% or more of the limitation, the amount withheld is equal to five times the excess expenditures or one-third of its allocation of state income tax, whichever is less.

³ A city or town cannot use its resources, including monies, personnel, equipment, materials, buildings or other things of value to influence the outcome of any election, and employees cannot use the authority of their position to influence the vote or political activities of a subordinate.

⁴ To help clarify the various distinctions in the remainder of this agenda bill, **Home Rule** is referred to in purple.

⁵ To help clarify the various distinctions in the remainder of this agenda bill, **PBA** is referred to in teal.

One-Time Override – Arizona Constitution, Article IX, § 20(2)(c), allows a city or town to exceed its expenditure limitation with voter approval. A one-time override does **not** allow a city or town to establish an alternative expenditure limitation for one year. Instead, a one-time override allows a city or town to exceed its constitutional expenditure limitation by a specific amount in the fiscal year after the election. The resolution and ballot language should include the specific amount of excess expenditures that voters are asked to authorize.

Emergency Override – The budget law provides for emergency overrides of the state-imposed expenditure limitation in two situations:

- In the case of a governor-declared emergency
- In the case of a local governing board-declared emergency not declared by the governor

A city or town faced with a governor-declared man-made or natural disaster can exceed its expenditure limitation by an amount necessitated by the disaster if two-thirds of the members of the city or town council vote in favor of the excess.

A city or town faced with a natural or man-made disaster that is not declared by the governor needs an affirmative vote of 70% of the members of the council to exceed its expenditure limitation by an amount necessitated by the disaster. If the council does not want to reduce the budget the year following the disaster by the amount of money expended on the disaster, they must seek voter approval for their authorization to expend the funds, after the fact. If the council does not present the issue of the emergency override to the voters or if the voters do not approve the override at the election, the city or town must reduce its budget in the fiscal year following the disaster by the amount of excess funds expended due to the disaster.

Combining Expenditure Limitation Options

A city or town under **Home Rule** may adopt a **PBA**. The EEC will use the adjusted base limit to calculate the city's or town's constitutional expenditure limitation for the year following a **PBA's** voter approval. However, the city or town is still subject to its **Home Rule** if the **Home Rule** authority has not expired.

A city or town that has an adjusted base limit may adopt a **Home Rule**. The **PBA** does not affect the **Home Rule** process.

If voters do not approve a **Home Rule** proposal on the ballot, the constitutional expenditure limitation applies, and the city or town may not submit a new **Home Rule** proposal to the voters for at least two years. However, the city or town may submit to its voters a **PBA** or one-time override.

City of Sedona History

Since the City's first **Home Rule** election in 1990, the voters have approved each **Home Rule** option except one.⁶ In the last three elections, more than two-thirds of the voters have approved the **Home Rule** option. The **Home Rule** option approved in August 2018 is in effect through FY 2022-23.

In November 2018, for the first time in Arizona history, a citizen-initiated **PBA** was placed on the ballot to increase the base by \$2,579,203.⁷ It failed with 63.40% of the voters against.

⁶ In 1994, the **Home Rule** option failed with 56.77% of the voters against; however, two years later the **Home Rule** option passed with 55.38% of the voters supporting the option.

⁷ Once the population and inflation adjustments are applied, the \$2,579,203 increase to the base would have resulted in raising the estimated FY 2019-20 state-imposed limit from \$24,279,570 to \$36,000,000.

In past evaluations of the City's expenditure limitation options, **Home Rule** was preferred because it allowed the maximum flexibility as the City had not reached full build-out. While the City has not yet reached full build-out, it has been several years since the last evaluation was performed.

Evaluation of Expenditure Limitation Options

The **Home Rule** option requires an election every four years. While the most recent **Home Rule** option passed with 67.30% voter approval, there was much discussion in the community about the **Home Rule** and **PBA** options. If an appropriately-sized **PBA** can be determined, elections would no longer be necessary unless the City's financial situation were to change, and the adjusted limit were determined to no longer be adequate. This could potentially save the City approximately \$22,000 in elections costs every four years.

Staff plans to form a citizen work group to go through the evaluation process along with City staff. We have mentioned this to the Citizens Budget Work Group (CBWG), and several members have expressed an interest in participating in the expenditure limitation evaluation work group. We would like to expand the participation in the expenditure limitation evaluation work group to other citizens beyond the existing members of the CBWG and will seek out individuals interested in this topic.

We are targeting the kickoff meeting for this group in June 2019 and anticipate meeting every 4-6 weeks to present at a Council work session in January 2020. Anticipated topics include the following:

- **Understanding of the City's budget and governmental accounting** – While it will be helpful to have work group members already familiar with the City's budget and the unique nature of governmental accounting, there will likely be members who have not gone through the budget process previously. During the budget process with the CBWG, those work group members develop a deeper understanding of the City's budget. Each year, the CBWG is also provided with refreshers on governmental accounting and how it impacts budget development.
- **Understanding of Arizona expenditure limitation rules** – An understanding of the Arizona expenditure limitation rules will be important to adequately evaluate the various options available to the City.
- **Discussions with representatives from other cities with PBAs** – I have spoken with the former Deputy Internal Services Director – Finance from the City of Tempe who has conducted trainings on **PBAs** and the Tempe experience, and he is willing to speak with the work group. I also obtained contact information for the former Town Manager from Town of Gilbert who has conducted trainings on **PBAs** and the Gilbert experience. We believe these individuals can provide helpful insight into what went well and what did not.
- **Review historical financial information** – An analysis of the historical trends including state-imposed limits, estimated eligible expenditure exclusions and actual expenditures will be important for understanding the current baseline needs.
- **Discussion of future potential financial decisions** – Since the City has not yet reached build-out, future needs will need to be evaluated. Currently contemplated significant projects and priorities should be considered, as well as the possibility of projects and priorities not yet identified. For instance, the Council may consider development of a greater Sedona/Oak Creek Canyon transit system. The costs for a

transit system would be substantial and would fall within the expenditure limitation requirements.

If the Council chooses to proceed with another **Home Rule** election, it would need to be placed on the ballot in August or November 2022.

Timeline for August 2020 Election

If the Council chooses to place a **PBA** on the August 2020 ballot, the estimated timeline, based on current legislation with a comparison based on passage of SB 1154,⁸ would be as follows:

Action	Estimated Date ⁹ (Current Legislation)	Estimated Date ⁹ (Proposed Legislation)	A.R.S. Requirement
Council votes whether to place PBA on August ballot	Tuesday, April 14, 2020	Tuesday, March 24, 2020	
Send analysis to Auditor General	Monday, April 27, 2020	Monday, April 6, 2020	
Receive arguments	Wednesday, May 27, 2020	Wednesday, May 6, 2020	Not less than 90 days prior to election
Send draft publicity pamphlet to Auditor General	Tuesday, June 2, 2020	Tuesday, May 12, 2020	
Send publicity pamphlet to printer	Tuesday, June 23, 2020	Tuesday, June 2, 2020	
Early ballots available	Thursday, July 23, 2020	Thursday, July 2, 2020	No later than 33 days before election
Distribute early ballots	Wednesday, July 29, 2020	Wednesday, July 8, 2020	No more than 27 days before election
Distribute publicity pamphlets (latest date)	Friday, August 14, 2020	Friday, July 24, 2020	Not less than 10 days prior to election
Fall primary election	Tuesday, August 25, 2020	Tuesday, August 4, 2020	

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s): N/A

MOTION

I move to: for discussion only.

⁸ SB 1154 proposes moving the primary election to the first Tuesday in August.

⁹ These estimates will be verified with the timelines in League of Arizona Cities and Towns 2020 **PBA** information packet once released.



**CITY COUNCIL
AGENDA BILL**

**AB 2461
April 23, 2019
Regular Business**

Agenda Item: 8b
Proposed Action & Subject: Discussion/possible action regarding proposed State legislation and its potential impact on the City of Sedona.

Department Legal
Time to Present 10 Minutes
Total Time for Item 15 Minutes
Other Council Meetings January 22, 2019, February 12, 2019, February 26, 2019, March 12, 2019, March 26, 2019, April 9, 2019
Exhibits None

City Attorney Approval	Reviewed 4/16/19 RLP	Expenditure Required	
		\$ 0	
City Manager's Recommendation	None.	Amount Budgeted	
		\$ 0	
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: During the course of the State Legislative Session, many bills are introduced that have a potential impact on the City of Sedona. The Arizona League of Cities and Towns and City staff routinely monitor bills of interest as they progress through the legislative process.

This item is scheduled to provide a summary update on relevant bills, to answer questions that the City Council may have regarding any individual bill, and to consider the need for the City Council to take a formal position in support or opposition of any particular bill.

In the past, Council has allowed staff and the Mayor to weigh in on issues at the Legislature on behalf of the City through a process established on February 11, 2014. Council will be notified via email of issues on which the City takes a position. Such a practice is a very effective method of ensuring appropriate City involvement with legislative issues when the timing of weighing in on an issue often cannot be delayed until the next Council meeting.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: for informational purposes only, unless there is a preference to take a position on a particular bill.