

Action Minutes
Special City Council Meeting – Budget Work Sessions
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Wednesday, April 17, 2019, 8:00 a.m. &
Thursday, April 18, 2019, 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 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., Finance Director Cherie Wright, Budget & Accounting Supervisor Jessica Tucker, Information Technology Manager Chuck Hardy, Human Resources Manager Brenda Tammarine, Assistant Director of Community Development Warren Campbell, Community Development Administrative Assistant Donna Puckett, Chief Building Official Steve Mertes, Communications Manager Marty Macurak, Sustainability Coordinator McKenzie Jones, Arts & Culture Coordinator Nancy Lattanzi, Citizen Engagement Coordinator Lauren Browne, Interim Chief of Police Ron Wheeler, Lieutenant Lucas Wilcoxson, Police Executive Assistant Sherri O'Connor, Economic Development Director Molly Spangler, Magistrate Judge Mike Goimarac, Parks & Recreation Manager Rachel Murdoch, Recreation Coordinator II Ali Baxter, Director of Public Works & City Engineer Andy Dickey, Assistant Engineer Ryan Mortillaro, Public Works Administrative Supervisor Charlene Penfold, Wastewater Manager Roxanne Holland, City Clerk Susan Irvine.

Citizen's Budget Work Group Members Present: Charlotte Hosseini, Holli Ploog.

3. Special Business

Work Session regarding City of Sedona budget for Fiscal Year 2019/2020. The Council may take action to give direction regarding amendments or changes to the proposed City budget or Capital Improvements Plan (CIP).

a. Public Comment

Opened to the public at 8:04 a.m.

Dennis Deardon, Sedona, Superintendent of the Sedona-Oak Creek School District spoke about the difficulty in recruiting staff due to the affordability and lack of availability of housing. He asked that Council consider the opportunity to consider funding for housing.

Linda Martinez, Sedona, thanked Council for their amazing recent decisions related to housing density and height. She asked that Council consider whatever options they could to make more workforce housing available.

Brought back to Council at 8:08 a.m.

b. An introduction to and overview of the 2019/2020 Fiscal Year Budget process will be presented, and strategic budget issues for FY 2020 will be discussed.

Presentation by Cherie Wright and Justin Clifton.

Questions from Council.

Introduction – Cherie gave an overview of the budget calendar and how the budget is organized. Cherie thanked the Citizens Budget Work Group: Lou Harper, Charlotte Hosseini, Anne Khoury, and Holli Ploog and the Revenue Forecasts Work Group: Cari Meyer, Molly Spangler, and Jennifer Wesselhoff for their feedback and dedication of time. This budget represents the fourth year of program and performance budgeting. The intent is to focus the decision-making process on the services and outcomes for the dollars invested. Cherie talked about program budgeting and indirect cost allocations. Departments were asked to further refine their budgets to reflect numbers closer to what would actually be expended. Decision packages were not required for replacement of existing equipment which is also now being funded through equipment replacement funds budgeted each year. There are several CIP project carryovers from FY 2019, and some flexibility is intended for CIP projects.

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

- **Additional refinement of the performance measurements** – Meetings were held with each department to discuss the workload indicators and performance measures to provide input regarding measures reported and brainstorming of additional measures to enhance the understanding of the programs and service levels provided.
- **Linkages of departmental goals and performance measurements to Citywide goals** – Each goal and performance measure is linked to either a Council priority, Community Plan goal, or when neither of those was applicable, a generic overall City value. The generic overall City values used were good governance, fiscal sustainability, and public safety.
- **Cross-departmental reporting of program costs** – A summary of all City programs has been included in the Overall Summaries Section. This summary provides the information for program totals regardless of department. Costs are separated by ongoing and one-time expenditures and include total expenditures by program. One of the intentions of the program and performance budgeting methodology is to better evaluate if a program is providing the service levels and results desired, and, if not, provides an opportunity to determine if more resources are a worthwhile investment to achieve the desired results. If the dollars spent are one of the indicators of the importance of a program, this schedule can help

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provide some perspective of the relative overall resources allocated between programs. This will continue to be refined and more summaries will be developed in future budgets to facilitate this analysis, such as summaries of full-time equivalent (FTE) positions assigned to each program.

Budget Overview – Cherie stated that the total proposed expenditures are \$48.8 million and proposed revenues are \$43.9 million, excluding decision packages which will be considered individually. Surplus funds of \$24.2 million are available to fund decision packages, supplement reserves, use toward sunsetting the transportation sales tax early, fund Council priorities, pay down liabilities, and/or maintain rate stabilization. The contract with the Sedona Chamber of Commerce and Tourism Bureau (SCC&TB) and the amount for fleet management services have not been fully addressed in the draft budget.

Council priorities included in the budget are:

- Complete Traffic Improvements
- Update Building Code
- Environmental Sustainability
- Housing
- Storm Water Projects
- Sedona Chamber of Commerce and Tourism Bureau
- Permanent Base Adjustment
- Political Capital & Communication
- CFA Development
- Monitor Short-term Rentals
- Economic Diversification
- Emergency Preparedness
- Parks Land Acquisition
- Complete Dells Land Use Planning
- Sense of Place.

Revenue changes from the FY 2019 budget to the FY 2020 budget total \$10,000. This is attributed to revenue for the Paid Parking Program being estimated at approximately \$255,000 lower than FY 2019 due to an anticipated suspension of the program during construction of roadway improvements in Uptown and a decrease in contingent revenues related to the removal of the SCC&TB true-up offsetting contingent revenue of \$550,000.

Salary and benefit changes include \$130,000 for wage adjustments, a \$23,000 decrease in health insurance, and a \$108,000 increase in ASRS. PSPRS contribution rates have been reduced by .40% but the contribution remains flat at \$1 million to address unfunded liabilities. There was an increase in worker's compensation of \$14,000, a \$123,000 increase for a correction of the prior year on-call pay, and \$5,000 in other adjustments.

Changes to operations expenses include: an increase of \$447,000 for tourism management & development; addition of \$330,000 for a CDBG grant; an increase of \$35,000 community services contracts; an increase of \$40,000 for Uptown holiday decorations (funded by paid parking revenues); a \$75,000 decrease in one-time costs; and \$121,000 in decreases mainly achieved through departments better aligning their budgets with anticipated actual expenditures.

Capital Improvement Project changes include: carryovers of \$6.9 million, Arts & Culture increase of \$65,000; Information Technology increase of \$100,000; Municipal Court increase of \$46,000; Parks & Recreation increase of \$254,000; Police increase of \$192,000; Public Works decrease of \$321,000; storm drainage decrease of \$2.26 million; Sedona in Motion (transportation projects) increases of \$3.64 million; streets and transportation decrease of \$388,000; and wastewater decrease of \$467,000.

Debt Service changes include: a General Fund decrease of \$378,000; a Development Impact Fund decrease of \$10,000; and a Wastewater Fund increase of \$254,000.

Contingencies changes include: a decrease of \$300,000 for the placeholder for the bed tax true-up; reinstatement of \$14,000 for the General Fund contingency used in FY 2019; reduction of the General Fund contingency of \$50,000; reinstatement of \$49,000 in the Grants & Donations contingency used in FY 2019, reduction of the \$100,000 Affordable Housing contingency not used and proposed separately in a decision package; and \$100,000 in the Wastewater Fund.

Cherie explained the methodology for indirect cost allocations. Direct costs are assigned or traded 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 \$178,000, Wastewater equipment of \$524,000, and general equipment of \$387,000. There is also a major maintenance reserve in the Wastewater Fund of \$109,000.

Transfers between funds are budgeted as follows: General Fund to Streets Fund of \$189,130; General Fund to Affordable Housing Fund \$100,000; General Fund to Capital Improvements Fund \$1.5 million; General Fund to Development Impact Fees Fund \$31,786; General Fund to Wastewater Enterprise Fund of \$3.45 million; General Fund to Capital Improvements Fund for Paid Parking Revenues \$275,699; General Fund to Capital Improvements Fund for FY 18 Bed Tax True-up \$17,711; Transportation Sales Tax Fund to Capital Improvements Fund of \$1.12 million; and Capital Improvements Fund to Art in Public Places Fund of \$56,020.

Questions and comments from Council throughout presentation.

Break at 10:28 a.m. Reconvened at 10:45 a.m.

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

Presentation by Cherie Wright and Justin Clifton.

General Fund - Ongoing revenues are budgeted at \$28.67 million and one-time & contingent revenues are budgeted at \$9,000. Ongoing expenditures are budgeted at \$19.65 million and one-time & contingent expenditures are budgeted at \$1.59 million. FY 2020 Carryovers are as follows: City Manager's Office Training \$1,250; Public Access Channel/Video Communications \$18,000; Caseware Reports \$60,000; Market Study Adjustments \$200,000; Lynx Services Expansion \$135,000; Court Furniture \$1,260; and Pool Chair Lift \$8,000.

Reserves are as follows: Operating Reserve of \$6.1 million; Equipment Replacement Reserve of \$846,000; and Parking Revenues Pledged to Uptown Improvements \$429,000. Balance available after reserves is \$5.3 million.

Decision Packages total \$327,100 in one-time costs and \$527,345 in ongoing costs for a total of \$854,445. City Manager recommended decision packages total \$514,080, and Citizens Budget Work Group recommended decision packages total \$758,345.

Streets Fund - ongoing revenues are budgeted at \$1.02 million 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 \$120,000, and the balance available after reserves is \$515,000.

Grants & Donations Fund - ongoing revenues are budgeted at \$58,000 and one-time & contingent revenues are budgeted at \$648,000. Ongoing expenditures are budgeted at \$27,000 and one-time & contingent expenditures are budgeted at \$924,000. There is a carryover in the amount of \$11,200. The Fund Balance is \$1.2 million.

Decision Packages total \$1.1 million in one-time costs. City Manager recommended decision packages total \$595,000 and Citizens Budget Work Group recommended decision packages total \$1.1 million.

Transportation Sales Tax Fund – revenues are budgeted at \$3.06 million and expenditures are budgeted at \$94,000. There is a capital reserve of \$4.9 million, and the balance available after reserves is \$969,000.

Capital Improvements Fund - ongoing revenues are budgeted at \$581,000 and one-time & contingent revenues are budgeted at \$50,000. There are no ongoing expenditures budgeted and one-time & contingent expenditures are budgeted at \$7.33 million. The Capital Reserves are \$4.0 million and the balance available after reserves is \$5.3 million.

Development Impact Fees Fund - ongoing revenues are budgeted at \$275 with no one-time & contingent revenues. There are no ongoing expenditures budgeted, and one-time & contingent expenditures are budgeted at \$2.21 million. The Fund Balance is \$888,000.

Art in Public Places Fund – ongoing revenues are budgeted at \$2,000 and no expenditures are budgeted. The Capital Reserves Balance is \$85,000, and the balance after reserves is \$37,000.

Wastewater Enterprise Fund - ongoing revenues are budgeted at \$7.12 million and one-time & contingent revenues are budgeted at \$409,000. Ongoing expenditures are budgeted at \$4.24 million and one-time & contingent expenditures are budgeted at \$9.35 million. Operating Reserves are \$1.8 million; Capital Reserves are \$1.7 million; Equipment Replacement Reserves \$931,000; and Major Maintenance Reserves are \$181,000. The balance available after reserves is \$10.3 million.

FY 2019 Carryovers are as follows: Uptown Pump Station Improvements \$25,000; Wetlands Cattail Cutter \$105,000; Tractor Drivetrain Repairs \$1,000; Gates for Valve Pits \$3,000; Injection Well 1 Pull Pipe to Back Flush \$30,000; Irrigation Soil Amendment \$30,000; WIMS Training & Development \$5,000; Mystic Hills Generator Replacement \$45,000; NASSCO PACP/LACP/MACP Certification Training \$8,000; Grade 3 Certification \$2,500; Wastewater Rate Study \$20,000; and Network Connectivity \$35,600.

Reserves are as follows: Operating Reserves \$1.8 million; Capital Reserves \$1.7 million; Equipment Replacement Reserves \$931,000; and Major Maintenance Reserves \$181,000. The balance available after reserves is \$10.3 million.

Decision Packages total \$217,700 in one-time costs and \$73,150 in ongoing costs for a total of \$290,850. City Manager recommended decision packages total \$270,850 and Citizens Budget Work Group recommended decision packages total \$270,850.

Information Technology Internal Service Fund - ongoing revenues are budgeted at \$1.89 million and one-time & contingent revenues are budgeted at \$114,000. Ongoing expenditures are budgeted at \$1.65 million and one-time & contingent expenditures are budgeted at \$178,000. FY 2019 Carryovers are as follows: Website Update \$3,400 and Refresh WAN Point to Point Licensed Microwave Links \$33,350. The Equipment Replacement Reserve is \$359,000 and the balance available after reserves is \$146,000.

Decision Packages total \$7,500 in ongoing costs. City Manager recommended decision packages is \$0 (pay from existing allocations), and Citizens Budget Work Group recommended decision packages total \$7,500.

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 \$14.2 million in available funds with \$8.6 million in Unrestricted Capital Reserves. Restricted funding sources are as follows: Coconino County Flood Control \$232,830; Yavapai County Flood Control \$350,000; Development Impact Fees Funds \$2.21 million; Transportation Sales Tax \$1,12 million; Paid Parking Revenues \$275,699; Bed Tax Allocation \$17,711; Grants \$11,200; RICO Monies \$25,000; Court

Restricted Revenues \$232,830; 1% for Arts \$65,000; Wastewater Revenues \$4.0 million; and Community Facilities Districts \$280,000.

CIP projects, including carryovers, are budgeted at \$14.2 million as follows: Art in Public Places \$65,000; Information Technology \$100,000; Municipal Court \$271,907; Parks & Recreation \$534,634; Police \$494,008; Public Works \$215,699; Storm Drainage \$634,050; Sedona in Motion \$7.9 million; and Wastewater \$4.0 million.

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. Workload indicators were reviewed. Budget was largely unchanged from prior year.

City Clerk's Office - presentation by Susan Irvine. Workload indicators were reviewed. Budget reflects a reduction of \$42,500 since there is no election in FY20 and the removal of the Sustainability program area due to its transfer to the City Manager's Office.

Human Resources – presentation by Brenda Tammarine. Performance indicators were discussed. Budget was largely unchanged from prior year.

City Attorney's Office – presentation by Robert Pickels, Jr. Performance indicators were reviewed. Budget was largely unchanged from prior year.

Break at 12:06 p.m. Reconvened at 12:49 p.m.

Economic Development – presentation by Molly Spangler. Performance indicators and decision packages were discussed. Budget was largely unchanged from prior year.

Financial Services – presentation by Cherie Wright. Performance indicators and decision packages were discussed. Budget was largely unchanged from prior year.

General Services – presentation by Cherie Wright. Outstanding debt as of July 1, 2019 will be \$22,250,000. The budget reflects a one-time cost of \$5,729,775 for bond payments. Community service contracts increased \$35,224 for inflation. Reduction reflects decrease in the amount for contingency. Small grants funding will be discussed by Council to set the budget amount. Decision packages were discussed.

City Manager's Office – presentation by Justin Clifton, Karen Osburn, Nancy Lattanzi, and McKenzie Jones. Budget reflects an increase of nearly \$450,000 in expenses related to the increase in bed tax revenues and the transfer of sustainability expenses from other departments. Performance indicators and decision packages were discussed.

Community Development – presentation by Karen Osburn. Expenditures increased by approximately \$240,000 largely due to the CDBG grant. Performance indicators and decision packages were discussed.

Information Technology – presentation by Chuck Hardy. Budgeted direct costs reflect a decrease of approximately \$107,000. One-time costs for FY 2020 total \$211,850 for equipment, upgrades, and projects. The decision package and CIP project were discussed.

Break at 5:26 p.m. Meeting will resume at 8:00 a.m. on Thursday, April 18, 2019.

Reconvened at 8:01 a.m. on Thursday, April 18, 2019.

Municipal Court – presentation by Mike Goimarac and Andy Dickey. Budget reflects a small increase in direct costs of approximately \$3,000 related to an increase in professional services for interpreter services and one-time costs of \$17,075 for furniture for the new court facility. The CIP for the Sinagua Courtroom Remodel was discussed since the amount has been determined to be inadequate and needs more study.

Parks & Recreation – presentation by Rachel Murdoch. Direct costs reflect an increase of approximately \$6,600 mostly related to internal charges. One-time costs are \$1,450 for pool supplies. CIP projects for FY 2020 total \$534,634.

Police – presentation by Chief Wheeler, Lieutenant Wilcoxson, and Ron Siddoway (PD volunteer with radio expertise). Direct costs reflect an increase of approximately \$16,700 mostly related to a prior-year error in overtime calculations. One-time costs are \$199,334 for supplies and vehicle lease payments. Decision packages were reviewed. CIP projects were reviewed and for FY 2020 total \$494,008.

Break at 10:39 a.m. Reconvened at 10:54 a.m.

Wastewater – presentation by Roxanne Holland. Direct costs reflect an increase of approximately \$239,000 related to a prior-year error in on-call calculations, lab supplies, and an increase in one-time costs. One-time costs are \$601,050 for supplies, equipment replacement, upgrades, and vehicle replacement. Decision packages were reviewed. CIP projects for FY 2020 total \$4,000,000.

Break at 12:07 p.m. Reconvened at 12:46 p.m.

Public Works – presentation by Andy Dickey. Direct costs reflect a decrease of approximately \$13,200 largely related to a transfer of Sustainability expenses to the City Manager's Office. One-time costs are \$130,200 for equipment replacement and improvements. Decision packages were reviewed. CIP projects for FY 2020 were reviewed and totals are as follows for categories: Arts & Culture \$65,000; Public Works \$215,699; Storm Drainage \$634,050; and SIM \$7,892,659.

Questions and comments from Council throughout presentation.

Break at 2:45 p.m. Reconvened at 2:53 p.m.

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

Presentation by Cherie Wright and Justin Clifton.

Break at 3:28 p.m. Reconvened at 3:36 p.m.

By majority consensus, Council recommended funding for decision packages as follows:

Description	Council Direction	One-Time	Ongoing	Total
General Fund				
Reclass Management Analyst	Recommended with existing allocations	-	-	-
Recycling Outreach & Marketing	Need to evaluate recycling program	-	-	-
Household Hazardous Waste Collection Event		-	\$20,000	\$20,000
AmeriCorps for Sustainability Plan		\$9,500	-	\$9,500
Electric Vehicle Charging Infrastructure		\$18,000	-	\$18,000
Sustainability Plan		\$40,000	-	\$40,000
Funding Increase for Sedona Recycles	Contingent subject to evaluation	-	\$100,000	\$100,000
Transit Manager	Partial year placeholder pending Council support to move forward with transit	-	\$75,000	\$75,000
Finance Administrative Assistant	Part-time with building renovations covered through existing allocations	\$2,500	\$34,180	\$36,680
Internal Control Audit	Not recommended	-	-	-
Custodial Maintenance Workers	Recommended with existing allocations	-	-	-
Building 104 Improvement	Recommended with existing allocations	-	-	-
Dump Truck/Snowplow		\$111,500	-	\$111,500
Backhoe Attachment	Recommended with existing allocations	-	-	-
Public Pool ADA Access		\$20,000	-	\$20,000
Trail Restroom – Dry Creek Road	Item pulled	-	-	-
Entrepreneurial Assistance		-	\$10,000	\$10,000

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Description	Council Direction	One-Time	Ongoing	Total
AmeriCorps Vista Economic Development Assistance		\$9,500	-	\$9,500
Marketing		-	\$25,000	\$25,000
Police Records Clerk I	Contingent partial year pending review by Chief Husted	-	\$38,900	\$38,900
Leadership/Executive Development	Recommended with existing allocations	-	-	-
General Fund Total		\$211,000	\$303,080	\$514,080
Affordable Housing Fund				
Affordable Housing Options	Recommended with additional \$1 million funding from the FY19 bed tax "true-up" and the remained from FY18 surplus	\$2,000,000	-	\$2,000,000
Affordable Housing Fund Total		\$2,000,000	-	\$2,000,000
Grants & Donations Fund				
DUI Enforcement	Recommended if grant funded only	\$10,000	-	\$10,000
Speed & Traffic Enforcement	Recommended if grant funded only	\$15,000	-	\$15,000
ADOT TRACS Crash Program	Recommended if grant funded only	\$35,000	-	\$35,000
Traffic Related Equipment	Recommended if grant funded only	\$35,000	-	\$35,000
Grants & Donations Fund Total		\$95,000	-	\$95,000
Wastewater Fund				
Automatic Transfer Switch	Recommended with existing allocations	-	-	-
Trailer Mounted Air Curtain Burner		\$65,000	-	\$65,000

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Description	Council Direction	One-Time	Ongoing	Total
Personnel for CCTV Camera Van		\$2,700	\$73,150	\$75,850
CCTV Camera Van		\$213,000	\$(83,000)	\$130,000
Wastewater Fund Total		\$280,700	\$(9,850)	\$270,850
Information Technology Fund				
Video/Broadcast of P&Z Commission Meetings	Recommended with existing allocations	-	-	-
Information Technology Fund Total		-	-	-
Grand Total		\$2,586,700	\$293,230	\$2,879,930

By majority consensus, Council also directed staff to do the following:

- Increase Small Grants budget by \$5,000
- Increase Communications budget by \$10,000
- Increase Contract Plan Reviews by \$54,000
- Increase funding for public art by \$150,000 to complete the remaining 2 roundabouts on SR179 and repay from art DIF's.

Council also agreed that they need additional review of the ERP funding request and that the Sinagua building and Police facilities need further evaluation.

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.

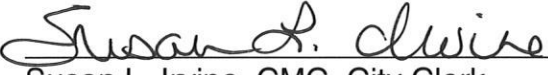
No Executive Session was held.

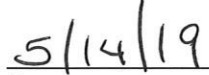
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5. Adjournment.

Mayor Moriarty adjourned the meeting at 5:13 p.m. on Thursday, April 18, 2019.

I certify that the above are the true and correct actions of the Special City Council Meeting held on April 17 & 18, 2019.


Susan L. Irvine, CMC, City Clerk


Date