

# AGENDA



# 4:30 P.M.

## CITY COUNCIL MEETING

## TUESDAY, JANUARY 14, 2020

### 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](http://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 - December 10, 2019 City Council Regular Meeting.
- b. Minutes - December 19, 2019 City Council Special Meeting - Executive Session.
- c. AB 2550 Approval of a recommendation regarding an application for a Series 12 Restaurant Liquor License for Elote Cafe located at 350 Jordan Road, Sedona, AZ (File #86199).
- d. AB 2551 Approval of a Resolution authorizing two (2) separate Real Estate Purchase and Sale Agreements for the City of Sedona to purchase the properties located at 215 W. State Route 89A (APN 401-38-001L), 65 Brewer Rd. (APN 401-38-002B) and 121 Brewer Rd. (APN 401-38-013E), all located in Coconino County, City of Sedona, Arizona, for the combined sum of \$1,270,000 for potential use as a roadway connection, transit hub, or other suitable public purpose.
- e. AB 2552 Approval of a recommendation regarding an application for a Series 1 In-State Producer Liquor License for Savannah Bee Company located at 390 N State Route 89A, Ste. 2, Sedona, AZ (File #88893).

### 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 the assignment of Police Officer Tyler Langmack to the position of Corporal.

### 8. REGULAR BUSINESS

- a. AB 2518 **Presentation/discussion/possible direction** regarding a report from the expenditure limitation work group.
- b. **Reports/discussion** regarding Council assignments.
- c. **Discussion/possible action** regarding future meeting/agenda items.

CITY COUNCIL CHAMBERS  
102 ROADRUNNER DRIVE, SEDONA, AZ

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



### Page 2, City Council Meeting Agenda Continued

#### 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).

#### 10. ADJOURNMENT

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 materials 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](http://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, December 10, 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/Community Development Director Karen Osburn, City Attorney Robert Pickels, Jr., Assistant City Attorney Shelley Cutts, Public Works Director/City Engineer Andy Dickey, Engineering Supervisor Stephen Craver, Associate Engineer Bob Welch, Assistant Engineer Hanako Ueda, Wastewater Manager Roxanne Holland, Assistant Community Development Director Warren Campbell, Senior Planner Cari Meyer, Senior Planner Mike Raber, Assistant Planner Rachel Bender, Chief of Police Charles Husted, Arts & Culture Coordinator Nancy Lattanzi, Citizen Engagement Coordinator Lauren Browne, 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 introduced Angeleah, a singer and songwriter who has lived in Sedona since 2007. Angeleah played the keyboard and performed the song "Havana" accompanied by Mark Rownd on percussion.

**3. Consent Items**

- a. **Minutes - November 26, 2019 City Council Special Meeting - Executive Session.**
- b. **Minutes - November 26, 2019 City Council Regular Meeting.**
- c. **Approval of Proclamation, Human Trafficking Awareness Month, January 2020.**
- d. **AB 2547 Approval of a Construction Manager at Risk Construction Services Contract with Kinney Construction Services for the Wastewater Collection System Improvements – SR179 Sewer Main Replacement Project in the approximate amount of \$1,451,500.**
- e. **AB 2541 Approval of a Resolution regarding a Development Agreement related to affordable housing between the City of Sedona and Adobe Jack LLC.**
- f. **AB 2549 Approval of an Amended Final Plat for Yavapai Plaza, PZ19-00013 (SUB).**

Item 3d was pulled at the request of Vice Mayor Martinez.

**Motion: Vice Mayor Martinez moved to approve consent items 3a, 3b, 3c, 3e, and 3f. 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.

**Pulled Consent Items –**

**3d - AB 2547 Approval of a Construction Manager at Risk Construction Services Contract with Kinney Construction Services for the Wastewater Collection System Improvements – SR179 Sewer Main Replacement Project in the approximate amount of \$1,451,500.**

Questions from Council that were answered by Roxanne Holland.

**Motion: Vice Mayor Martinez moved to approve the Construction Manager at Risk Construction Services Contract with Kinney Construction Services for the Wastewater Collection System Improvements – SR179 Sewer Main Replacement Project in an amount not-to-exceed \$1,451,500 subject to approval of the written contract by the City Attorney’s Office. 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.**

**4. Appointments – None.**

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

Vice Mayor Martinez stated that the tree lighting ceremony was held on Friday at Tlaquepaque North and was a great event.

**6. Public Forum**

Steve Schliebs, Sedona, read comments he made to the City Council in 2015 and asked again that the City focus on energy sustainability without regard to money for the future of the children and their children.

**7. Proclamations, Recognitions, and Awards**

**a. Presentation of Proclamation, Human Trafficking Awareness Month, January 2020.**

Mayor Moriarty read the Proclamation and presented it to Carol Gandolfo. Ms. Gandolfo thanked the Council for this recognition and acknowledged multiple people for their commitment to this cause. She reviewed several things their organization is doing related to sex trafficking and trying to prevent it in the future.

**8. Regular Business**

**a. AB 2538 Discussion/possible direction regarding the draft final report for the Uptown Sedona Parking Facility Needs, Siting, and Design Concept Assessment.**

Presentation by Karen Osburn, Justin Clifton, and Walter P. Moore Associates staff members Senior Parking Consultant/Project Manager Jaime Snyder and Senior Parking Consultant Chad Snyder.

Questions from Council.

Opened to the public at 7:05 p.m.

The following spoke regarding this item: Elliott Greenberg, Sedona, John Oakason, Sedona, Kali Gajewski, Sedona, Tom Gilomen, Sedona, Jesse Alexander, Camp Verde, Jennifer Wesselhoff, Sedona, and Christina Richards, Sedona.

Brought back to Council at 7:26 p.m.

**Break at 7:26 p.m. Reconvened at 7:46 p.m.**

Further questions and comments from Council.

**By majority consensus, Council directed staff as follows:**

- **pursue acquisition of the land on Forest Road;**
  - **analyze a surface parking lot on Forest Road to include costs for both multi-level (tiered), sloped, and single level;**
  - **look at phasing options for the Forest Road property;**
  - **examine best uses for the Jordan Road property;**
  - **look at any other parking options that might be feasible; and**
  - **bring the in-lieu fees for additional consideration later.**
- b. AB 2548 Discussion/possible action regarding the approval of a contract not to exceed \$75,000 with Reagan Word for artwork to be placed in the Uptown roundabouts as a part of the Uptown Roadway Improvements Project.**

Presentation by Stephen Craver, Justin Clifton, Nancy Lattanzi, Andy Dickey, and Bob Welch.

Questions and comments from Council.

Opened to the public at 9:14 p.m.

The following spoke regarding this item: Jesse Alexander, Camp Verde.

Brought back to Council at 9:15 p.m.

**Motion: Councilor Williamson moved to approve award/commissioning of artwork by Reagan Word for the Jordan and Schnebly Roundabouts in an amount not-to-exceed \$75,000 subject to approval of a written contract by the City Attorney's office. Seconded by Councilor Hudson. Vote: Motion carried with five (5) in favor (Moriarty, Martinez, Currivan, Hudson, and Williamson) and two (2) opposed. (Chisholm, Jablow)**

**c. Reports/discussion regarding Council assignments**

Vice Mayor Martinez advised that the Coconino Water Advisory Committee dues will be increased from \$5,000 to \$7,500 next year.

**d. Discussion/possible action regarding future meeting/agenda items.**

Mayor Moriarty stated that there is no meeting tomorrow.

## **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 9:19 p.m. without objection.

**I certify that the above are the true and correct actions of the Regular City Council Meeting held on December 10, 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**  
**Thursday, December 19, 2019, 10:00 a.m.**

**1. Call to Order**

Mayor Moriarty called the meeting to order at 10:00 a.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 was absent and excused.

**Staff in attendance:** Assistant City Manager/Director of Community Development Karen Osburn, City Attorney Robert Pickels, Jr., City Clerk Susan Irvine.

**Outside parties in attendance:** Yavapai County Superior Court Presiding Judge David Mackey, Yavapai County Superior Court Administrator Rolf Eckel, Coconino County Superior Court Presiding Judge Dan Slayton, Coconino County Superior Court Deputy Court Administrator Shelly Bacon, Yavapai County Superior Court Associate Presiding Judge Michael Bluff, Arizona Supreme Court Administrative Office of the Courts Judicial Education Officer and Sedona Magistrate Pro Tem Judge Paul Julien.

**3. Executive Session**

**Motion: Vice Mayor Martinez moved to enter into Executive Session at 10:01 a.m. Seconded by Councilor Jablow. Vote: Motion carried unanimously with six (6) in favor (Moriarty, Martinez, Chisholm, Currivan, Hudson, and Jablow) and zero (0) opposed.**

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

- a. **Discussion and consideration regarding the employment, assignment, and appointment of the City Magistrate Judge. This matter is brought in executive session pursuant to A.R.S. § 38-431.03(A)(1).**
- b. **Return to open session. Discussion/possible action on executive session items.**

**Reconvened in open session at 11:37 a.m.**

**No action taken.**

**4. Adjournment**

**Mayor Moriarty adjourned the meeting at 11:37 a.m.**

**I certify that the above are the true and correct actions of the Special City Council Meeting held on December 19, 2019.**

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Susan L. Irvine, CMC, City Clerk

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Date





**CITY COUNCIL  
AGENDA BILL**

**AB 2550  
January 14, 2020  
Consent Items**

**Agenda Item: 3c**

**Proposed Action & Subject:** Approval of a recommendation regarding an application for a Series 12 Restaurant Liquor License for Elote Cafe located at 350 Jordan Road, Sedona, AZ (File #86199).

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

City Attorney Approval	Reviewed 1/6/2020 SDC	<b>Expenditure Required</b>	\$ 0
City Manager's Recommendation	Recommend approval of a Series 12 Restaurant Liquor License for Elote Café.	<b>Amount Budgeted</b>	\$ 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 Series 12 Restaurant Liquor License for Elote Cafe located at 350 Jordan Road, Sedona, AZ (File #86199). The liquor license application is available for review and inspection in the City Clerk's office or by email.

A Series 12 Liquor License is a non-transferable, on-sale retail privileges liquor license that allows the holder of a restaurant license to sell and serve all types of spirituous liquor solely for consumption on the premises of an establishment which derives at least forty percent (40%) of its gross revenue from the sale of food. Failure to meet the 40% food requirement may result in revocation of the license.

Community Development, Finance, the City Clerk's Office, 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 12 Restaurant Liquor License for Elote Cafe located at 350 Jordan Road, Sedona, AZ (File #86199). Reasons for a recommendation of denial would need to be specified.

**MOTION**

**I move to:** recommend approval of a new Series 12 Restaurant Liquor License for Elote Cafe located at 350 Jordan Road, Sedona, AZ (File #86199).



**CITY COUNCIL  
AGENDA BILL**

**AB 2551  
January 14, 2020  
Consent Items**

**Agenda Item: 3d**

**Proposed Action & Subject:** Approval of a Resolution authorizing two (2) separate Real Estate Purchase and Sale Agreements for the City of Sedona to purchase the properties located at 215 W. State Route 89A (APN 401-38-001L), 65 Brewer Rd. (APN 401-38-002B) and 121 Brewer Rd. (APN 401-38-013E), all located in Coconino County, City of Sedona, Arizona, for the combined sum of \$1,270,000 for potential use as a roadway connection, transit hub, or other suitable public purpose.

**Department:** Legal

**Time to Present:** N/A

**Total Time for Item:**

**Other Council Meetings:** N/A

- Exhibits:**
- A. Resolution
  - B. Real Estate Purchase and Sale Agreement (APN 401-30-001L and APN 401-38-002B) *(Under negotiation, will be supplied upon completion)*
  - C. Real Estate Purchase and Sale Agreement (APN 401-38-013E) *(Under negotiation, will be supplied upon completion)*

City Attorney Approval	Reviewed 1/6/2020 SDC
City Manager's Recommendation	Approve a resolution authorizing the purchase of the properties at 215 W. State route 89A, 65 Brewer Road and 121 Brewer Road.

Expenditure Required	
	\$ 1,270,000
Amount Budgeted	
	\$ 1,000,000
Account No. 22-5320-89-6873 (Description) (Enhanced Transit Service – Land Acquisition)	\$ 270,000
Account No. 22-5320-89-6888 (Description) (Unidentified SIM Projects)	
Finance Approval	<input checked="" type="checkbox"/>

## SUMMARY STATEMENT

**Background:** The properties located at 215 W. State Route 89A (APN 401-38-001L), 65 Brewer Rd. (APN 401-38-002B) and 121 Brewer Rd. (APN 401-38-013E), within Coconino County, Arizona, have been identified by the City of Sedona as having prospective use for a public purpose, which may include a roadway connection and/or the future location of a transit hub to complement the development of a transit program within the City of Sedona (City) and the surrounding area.

The City has the legal authority to acquire property for public purposes in accordance with A.R.S. § 9-401.

The City of Sedona has been in negotiations with the owner of the subject parcels, Mr. Craig Curtis, for the potential purchase by the City of the properties. The parties have reached terms which reflect best and final offers from each. Those terms have been incorporated into two (2) separate Real Estate and Purchase Agreements (one for APN's 401-38-001L and 401-38-002B, the other for APN 401-38-013E) which are now presented to the City Council for consideration and approval. These agreements are currently being negotiated and will be supplied to Council as they are completed. This item may be delayed if these agreements are not finalized in time for Council to take action on January 14<sup>th</sup>.

The fair market value for the three (3) combined parcels was identified through a professional valuation performed by Appraisal Technology. APN 401-38-001L was valued at \$465,000; APN 401-38-002B was valued at \$300,000; and, APN 401-38-013E was valued at \$505,000, for a combined total value of \$1,270,000.

While the use of the property has not yet been specifically identified, budget capacity is available in the land acquisition budget of the Enhanced Transit Service project of \$1 million, and the remaining \$270,000 would be covered with anticipated savings/carryovers of other SIM projects.

**Community Plan Consistent:**  Yes -  No -  Not Applicable

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

**Alternative(s):**

## MOTION

**I move to:** approve Resolution 2020-\_\_ authorizing the Real Estate Purchase and Sale Agreements for the City of Sedona to purchase the properties located at 215 W. State Route 89A (APN 401-38-001L), 65 Brewer Rd. (APN 401-38-002B) and 121 Brewer Rd. (APN 401-38-013E), Sedona, Arizona, for the sum of \$1,270,000.

**RESOLUTION NO. 2020-\_\_**

**A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA, ARIZONA APPROVING AND AUTHORIZING THE PURCHASE OF THREE (3) PARCELS OF REAL PROPERTY FOR PUBLIC PURPOSE USE.**

WHEREAS, the City has the legal authority to acquire property for public purposes in accordance with A.R.S. § 9-401; and

WHEREAS, the City Council has determined that the properties located at 215 W. State Route 89A (APN 401-38-001L), 65 Brewer Rd. (APN 401-38-002B) and 121 Brewer Rd. (APN 401-38-013E), within Coconino County, Arizona (Subject Parcels) have viable uses for public purposes which may include, but are not limited to, the future location of a roadway connection or transit hub; and

WHEREAS, the City has negotiated with the owner of the Subject Parcels and arrived at a mutually agreeable purchase price of One Million Two Hundred Seventy Thousand Dollars (\$1,270,000) which reflects fair market value for the Subject Parcels.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND THE COUNCIL OF THE CITY OF SEDONA, ARIZONA, that the City of Sedona, through its Mayor and Council, hereby approves the purchase of the Subject Parcels and authorizes the Mayor to execute any and all documents on behalf of the City of Sedona, Arizona necessary for the completion of the transactions.

PASSED AND ADOPTED this 14<sup>th</sup> day of January, 2020 by the Mayor and Council of the City of Sedona, Arizona.

\_\_\_\_\_  
Sandra J. Moriarty, Mayor

ATTEST:

\_\_\_\_\_  
Susan L. Irvine, CMC, City Clerk

APPROVED AS TO FORM:

\_\_\_\_\_  
Robert L. Pickels, Jr., City Attorney



**CITY COUNCIL  
AGENDA BILL**

**AB 2552  
January 14, 2020  
Consent Items**

**Agenda Item: 3e**

**Proposed Action & Subject:** Approval of a recommendation regarding an application for a Series 1 In-State Producer Liquor License for Savannah Bee Company located at 390 N SR 89A, Ste E, Sedona, AZ 86336 (File #88893).

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

City Attorney Approval	Reviewed 1/6/2020 SDC	<b>Expenditure Required</b>	\$ 0
City Manager's Recommendation	Recommend approval of a Series 1 In-State Producer Liquor License for Savannah Bee Company.	<b>Amount Budgeted</b>	\$ 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 Series 1 In-State Producer Liquor License for Savannah Bee Company located at 390 N SR 89A, Ste E, Sedona, AZ 86336 (File #88893). The liquor license application is available for review and inspection in the City Clerk's office or by email.

A Series 1 Liquor License is a non-transferrable liquor license which allows an in-state producer to produce or manufacture beer, wine, and distilled spirits (all spirituous liquor) and sell/deliver the product to a licensed wholesaler. A person who holds an In-State Producer license may also sell to on-site patrons the liquor produced or manufactured on the licensed premises. A.R.S. § 4-243.

Community Development, Finance, the City Clerk's Office, 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 1 In-State Producer Liquor License for Savannah Bee Company located at 390 N SR 89A, Ste E, Sedona, AZ 86336 (File #88893). Reasons for a recommendation of denial would need to be specified.

**MOTION**

**I move to:** recommend approval of a new Series 1 In-State Producer Liquor License for Savannah Bee Company located at 390 N SR 89A, Ste E, Sedona, AZ 86336 (File #88893).



**CITY COUNCIL  
AGENDA BILL**

**AB 2518  
January 14, 2020  
Regular Business**

**Agenda Item:** 8a  
**Proposed Action & Subject:** Presentation/discussion/possible direction regarding a report from the Expenditure Limitation Work Group.

<b>Department</b>	Financial Services
<b>Time to Present</b>	45 minutes
<b>Total Time for Item</b>	2 hours
<b>Other Council Meetings</b>	April 23, 2019
<b>Exhibits</b>	A. Work Group Memo B. Quick Reference Guide C. PowerPoint Presentation

City Attorney Approval	Reviewed 1/6/2020 SDC	<b>Expenditure Required</b>	\$ 0
City Manager's Recommendation	Discuss the report of the Expenditure Limitation Work Group and provide direction to staff on whether or not to prepare a 2020 ballot question.	<b>Amount Budgeted</b>	\$ 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. On April 23, 2019, staff discussed with Council the plans for evaluating the various expenditure limitation options, including permanent base adjustment (PBA) and alternative expenditure limitation (Home Rule).

**City of Sedona History**

Since the City's first Home Rule election in 1990, the voters have approved each Home Rule option except one.<sup>1</sup> 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.

<sup>1</sup> 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.



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.<sup>2</sup> It failed with 63.40% of the voters opposed.

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.

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 adequate PBA were approved, there is a potential that elections could no longer be necessary for several years depending on the size and any future changes in the City's financial situation. While minor in comparison to the City's total budget, the elimination of future elections could potentially save the City approximately \$22,000 in current dollars for each election.<sup>3</sup>

### ***Evaluation Plan/Process***

Staff issued a press release in May 2019 inviting interested residents to apply for participation in a work group to evaluate the expenditure limitation options. To ensure balance among the group members and to have numerous perspectives at the table, the application included a question asking applicants to indicated on a sliding scale the degree to which they were (a) more concerned about the City providing as many desired programs and services as possible at reasonable costs or (b) more concerned with limiting City programs and services as much as possible to reduce costs.

A total of 20 applications were received. On a scale of 0 to 100 (with 100 as the most financially conservative), the responses to the sliding scale question ranged from 5 (more concerned about providing desired programs and services) to 75 (more concerned with limiting programs and services). The selected work group members were:

Richard Breunich <sup>4</sup>	Shaeri Richards
Andrea Christelle <sup>4</sup>	Michael Salamon
Peter Furman	Roger Shlonsky
Charlotte Hosseini	Lynn Zonakis
Jean Jenks	

With the highly engaged, active conversations and diverse ideas that occurred in the work group meetings, staff believes the objective of achieving a balance and variety of perspectives was achieved. The work group met numerous times between July and December 2019 committing a total of approximately 190 hours of citizen participation to this evaluation process.

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<sup>2</sup> 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 (plus estimated exclusions) from \$24,279,570 to \$36,000,000.

<sup>3</sup> This does not include staff time spent on election materials, informational outreach, etc.

<sup>4</sup> Ms. Christelle had to withdraw after a couple meetings. After a "catch-up" meeting with staff, Mr. Breunich was available and willing to take her place for the remaining meetings.

## ***Evaluation Topics***

The kickoff meeting included a brainstorming of topics that the work group wanted to have presented and discussed over the ensuing months. These topics covered included:

- Arizona expenditure limitation options and applicable rules<sup>5</sup>
- How expenditure limitation options relate and conflict
- History of Sedona's expenditure limitation elections
- Why the 1994 Home Rule election failed
- Consequences if 2018 Home Rule did not pass
- Required ballot language for PBA
- Expenditure limitation options selected by other cities and reason for selection, including summaries by population size, years incorporated, with and without property tax levies, and services provided
- Discussion with George Pettit, former Town Manager for Town of Gilbert
- Discussion with Jerry Hart, former Finance Director for City of Tempe
- City's budget process and relationship to the Community Plan
- Historical financial information, including budgeted expenditures, actual expenditures, fund balances, revenue and expenditure trends, state-imposed limitations, estimated exclusions, and exclusions potentially not excludable in future years
- Presentation by Mike Raber, City Senior Planner, on status of City build-out and growth potential
- Speculation of future financial decisions and service levels not currently provided
- Pros and cons of each expenditure limitation option
- If PBA option is pursued, should it be set as a floor or a ceiling, how long should it last, and should factors be included for unknown future service level changes

## ***Work Group Report and Conclusion***

A report summarizing the work group's analysis and the reasons for their conclusions has been attached as Exhibit A. The majority consensus of the group was:

- Home Rule is the option that makes the most sense for Sedona.
- The group understands the various concerns about continuing with Home Rule. If Council chooses to place a PBA question on the ballot, the group recommends an increase over current spending needs with the goal of eliminating the need for Home Rule elections for 10 to 15 years. The alternative recommendation is not considered a close second choice for most of the participants, but they would be comfortable with this option if chosen by the City Council.

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<sup>5</sup> A Quick Reference Guide of the expenditure limitation options was prepared for the work group and has been included as Exhibit B.

**Timeline for August 2020 Election**

If the Council chooses to place a PBA on the August 2020 ballot, the timeline recommended by the League of Arizona Cities and Towns is as follows:

<b>Action</b>	<b>Estimated Due Date</b>	<b>A.R.S. Requirement</b>
Council votes whether to place PBA on August ballot	Tuesday, March 24, 2020	Latest possible date for timely submission of analysis to Auditor General
Send analysis to Auditor General	Monday, April 6, 2020	At least 60 days prior to election and before printing publicity pamphlet
Receive arguments	Wednesday, May 6, 2020	Not less than 90 days prior to election
Send draft publicity pamphlet to Auditor General	Friday, May 15, 2020	
Send publicity pamphlet to printer	Friday, June 5, 2020	
Early ballots available	Thursday, July 2, 2020	No later than 33 days before election
Distribute early ballots	Wednesday, July 8, 2020	No more than 27 days before election
Distribute publicity pamphlets (latest date)	Friday, July 24, 2020	Not less than 10 days prior to election
Fall primary election	Tuesday, August 4, 2020	Statutorily established

**Community Plan Consistent:**  Yes -  No -  Not Applicable

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

**Alternative(s):** N/A

**MOTION**

**I move to:** for discussion and possible direction only.



**Date:** December 11, 2019  
**To:** Mayor Moriarty & City Council  
**Thru:** Justin Clifton, City Manager  
**From:** Expenditure Limitation Options Work Group  
Cherie R. Wright, Director of Financial Services  
**Subject:** Recommendations for Expenditure Limitation

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The City Council identified evaluation of the City's expenditure limitation options as a high priority.

The Home Rule option approved in August 2018 is in effect through FY 2022-23. While the Home Rule option passed with 67.30% voter approval, there was much discussion in the community about the Home Rule and Permanent Base Adjustment (PBA) options. As a result, the City Council believes it is time once again to evaluate the options available.

In order to obtain citizen input and develop recommendations from the public, a work group, referred to as the Expenditure Limitation Options Work Group (ELOWG), was created. The members of the ELOWG include:

Richard Breunich	Shaeri Richards
Peter Furman	Michael Salamon
Charlotte Hosseini	Roger Shlonsky
Jean Jenks	Lynn Zonakis

## Summary of Recommendations

The majority opinion<sup>1</sup> of the group is:

- **Home Rule is the preferred option that makes the most sense for Sedona** (6 of 7 participants)
- For a majority of the group (5 of 7 participants), the alternative recommendation<sup>2</sup> is placing a Permanent Base Adjustment (PBA) on the ballot in lieu of some future Home Rule elections. The recommended adjustment would be an increase over current spending needs with the goal of eliminating the need for Home Rule elections for 10 to 15 years.

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<sup>1</sup> Ms. Jenks was unable to attend the last few meetings, and her final opinion is not included.

<sup>2</sup> The alternative recommendation is not considered a close second choice for most of the participants, but they would be comfortable with this option if the City Council chooses to place a PBA on the ballot.

## Evaluation Overview

The ELOWG took a deep dive into learning the nuances of the Arizona expenditure limitation options and rules. To gain adequate understanding of the issues, the group requested information covering the following topics:

- How expenditure limitation options relate and conflict
- History of Sedona's expenditure limitation elections
- Why the 1994 Home Rule election failed
- Consequences if 2018 Home Rule had not passed
- Required ballot language for a PBA
- Expenditure limitation options selected by other cities and reasons for selection
- Discussion with representatives from other cities/towns with a PBA
- City's budget process and relationship to the Community Plan
- Historical financial information
- Status of City build-out and growth potential
- Speculation of future financial decisions and service levels not currently provided

Using the information provided, the group evaluated the pros and cons of each option to develop recommendations for Council. This report discusses the reasoning behind the recommendations made and why other options were not recommended.<sup>3</sup>

## General Concern

The ELOWG had the following concern about any approach taken.

**Complexity of the Issue** – While many of the work group members believed they had a good understanding of the issues surrounding the Arizona expenditure limitation requirements coming into this process, after the numerous hours of study on the subject, they feel much more informed on the nuances and implications of the options. Through the process, there are some members who changed their opinions over the course of the conversation regarding the best option for Sedona.

The work group's concern is that the nuances and implications of the options would be difficult to explain in ballot and outreach materials. While City staff conducts numerous presentations to inform the community on the impacts of a yes or no vote on expenditure limitation ballot questions, it is believed that this only reaches a small portion of the voters and still may not adequately convey the complexities of the options.

## Recommended: Home Rule (Alternative Expenditure Limit)<sup>4</sup>

There are several reasons the ELOWG believes Home Rule to be the best choice for Sedona including:

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<sup>3</sup> The one-time and emergency override options are not considered appropriate for strategic financial management, but rather backup plans if a need arises so these options are not discussed here. In addition, the state-imposed limit was not contemplated since all group members agree it would necessitate financial cuts and restrictions that are deemed too drastic to meet the needs and wants of the community.

<sup>4</sup> The Alternative Expenditure Limit is nicknamed Home Rule because it allows decisions about spending to be made locally without interference by the state.

- Home Rule has been **effectively used for the last 23 years** to manage the Sedona budget process.
- Based on the number of Arizona cities and towns that have chosen alternative options, it seems **most communities view the state-imposed limits to be hindrances to their needs and wants.**
  - Of the 91 Arizona cities and towns, 88% have chosen an option other than the state-imposed expenditure limit.
  - The understood intent of the expenditure limits was to prohibit runaway taxation; however, the group does not view runaway taxation as a problem in Sedona. Our city practice and history of using Home Rule show that taxation and expenditures are not out of control.
- Home Rule is the **most commonly used** option in Arizona.
  - Of the 91 Arizona cities and towns, 54% have chosen the Home Rule option.
- Home Rule is **less complicated** than the other options.
  - It is the option that has been historically used in Sedona.
  - It is the easiest option to understand and explain to the voters.
- Home Rule **follows the budget process.**
  - Arizona law requires a balanced budget, which was viewed as a much stronger law for fiscal accountability than the expenditure limitation laws/rules.
  - A balanced budget is a “true” limit, since a PBA higher than a balanced budget would have no impact.
  - To be balanced, budgeted expenditures must not exceed estimated revenues plus carryover balances in excess of reserve requirements. The group believed that to even spend all excess cash without consideration of appropriate long-range forecasts was unlikely, especially considering the next bullet point about Council elections and the long history of Sedona maintaining surplus balances.
- **A more effective approach for influencing the City’s actions and financial decisions is through the budget process and election of Council members.**
  - Every 2 years, 4 of the 7 Council seats are up for election/reelection.
- While participation in the budget process is a more direct approach for influencing the City’s actions and financial decisions, **Sedona’s Home Rule elections have seen greater community participation than the budget process.**
  - Continuing with Home Rule elections would engage the community every 4 years.
  - While a PBA would eliminate the need for elections for some period of time, depending on the size, it could be viewed as taking away an opportunity for engaging the community in financial decisions.
- Home Rule is **typically considered the most appropriate option for cities/towns experiencing growth.**
  - While Sedona is not a high population growth city, it has been experiencing growth in service levels and expects to continue seeing this growth.
  - Sedona is viewed as a young enough city that service levels ultimately desired have not been fully developed; however, it is anticipated that service level needs will eventually flatten and stabilize, placing the City in a better position for considering a PBA option in the future.
- In addition, the **concerns about a PBA option** discussed in the next section factor into the reasons why the group recommends the Home Rule option.

## Alternative Recommendation: PBA as a Ceiling<sup>5</sup>

If Council chooses to place a PBA question on the ballot, the work group recommends an increase over current spending needs with the goal of eliminating the need for Home Rule elections for 10 to 15 years. This alternative recommendation is not considered a close second choice, but most of the participants are comfortable with this option if chosen by the City Council.

The reasons the ELOWG believes a PBA as a ceiling should be considered are:

- A PBA **could provide longer range consistency** for operational and financial decisions and planning.
  - The contentious discussions during the last election were unlike what many of the City employees had experienced previously. This created a level of fear of potential staffing cuts such that anecdotally we had heard some employees were updating their resumes just in case. If contentious discussions continue in future elections, the City could run the risk of losing some of its best employees.
  - Some longer-term capital projects, like a potential transit system, could be negatively impacted by uncertainty in future Home Rule election cycles or failed election attempts.
    - Anecdotally we had heard that some staff were hesitant to start projects that could be negatively impacted by significant budget cuts during the last Home Rule election. Artificially holding back projects can unnecessarily inhibit the progress of desired projects.

The ELOWG has the following **concerns about a PBA option and the determination of the size** that resulted in this not posed as the primary recommendation:

- A **long-range PBA could be a hindrance to gaining support of the community**, especially if factors are included for future community growth potential and potential future service changes.
  - A common approach to a PBA is to set an amount that will last 20+ years into the future. In the group's conference call with George Pettit, former Town Manager for Town of Gilbert,<sup>6</sup> Mr. Pettit explained that Gilbert's approach was to estimate its PBA amount based on a 35-year projection.
    - While many ELOWG members believe it is a wise approach to set a PBA amount that would last a significant number of years, the group believes to do so would require a significantly high adjustment and may result in some opponents turning it into an argument that the City will spend in excess of the community's needs and wants.
  - Mike Raber, City Senior Planner, gave a presentation to the group about the status of the City's buildout and future growth potential. In addition, discussions were held about potential future services that would have a significant financial impact, such as broadband, workforce housing, sustainability and wastewater regulatory changes, Smart City technology, a transit system, etc.<sup>7</sup>

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<sup>5</sup> The ELOWG used the term "ceiling" to mean setting a PBA high enough that Home Rule elections were not necessary for at least two election cycles.

<sup>6</sup> A summary of the conference call with Mr. Pettit has been included as Appendix I.

<sup>7</sup> These, and other, potential future services were presented as possibilities only. It was stressed to the work group that there are no concrete plans, and all but the possible transit system have not gone through any evaluation or vetting process.

- While the group believes there are many plausible potential future services, the community could become too preoccupied with the individual items on the list and want to debate the merits of those items, instead of focusing on the overall big picture of the potential for future needs and wants.
- All of the work group members are **against a “pie in the sky” PBA.**
  - In the research of other cities/towns performed by staff, City of Surprise was identified as one who chose the “pie in the sky” approach with a PBA of \$1 billion.
  - The group members believe that a “pie in the sky” approach would be unacceptable to many community members.
- A PBA seems to be **designed to work best for cities/towns with growing full-time resident populations.**
  - If a PBA is passed, it is an adjustment to the state-imposed limit and then subject to the same inflationary and population adjustments as the state-imposed limit. The population adjustment is based on full-time residents only and could be an increase or decrease.
    - Since the full-time resident population of Sedona is not fully representative of the community service needs, a PBA could be adjusted down if the census population decreases. There are concerns that this could be exacerbated in the next Census.
    - Increases in part-time resident population and/or number of visitors are not taken into account. Sedona is a community highly impacted by tourism with an estimated 3 to 3.5 million tourists each year.
    - Inflationary factors are based on national Gross Domestic Product (GDP), not local cost-of-living changes. In construction contractor costs alone, the City has seen significant increases over recent years.
  - Based on the conversation with Mr. Pettit, former Town Manager for Town of Gilbert, one factor that has led to the Gilbert PBA lasting more than 20 years is the significant growth experienced over that time. Population grew from approximately 95,000 to approximately 267,000. Sedona would not experience population increases anywhere near that magnitude.
  - If not sized appropriately or nearing the end of its life, a PBA could lead to debt financing decisions, delays of desired projects, or cuts of desired programs.
    - In the group’s conference call with Jerry Hart, former Finance Director for City of Tempe,<sup>8</sup> Mr. Hart explained that Tempe has estimated its PBA amounts based on a goal of lasting approximately 10 years for each of its 3 PBA elections. When Tempe has been close to its limit, Mr. Hart said that Tempe has issued bonds even though adequate cash funding was available.
- Since one of the objectives of a PBA would be to eliminate the need for one or more Home Rule election cycles, **some work group members believe it could become an issue explaining to the community why opportunities for the voters to weigh in are being eliminated.**
  - As explained in the reasons for recommending Home Rule, the opportunities for voter engagement are viewed as an important part of the process by many of the ELOWG members.
- While Sedona’s last PBA election was a citizen initiative and not placed on the ballot by the Council, there is some **concern that the failure of the last PBA election could have negative impacts on another PBA election** so soon after the last one.

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<sup>8</sup> A summary of the conference call with Mr. Hart has been included as Appendix II.



- While some group members believed there could be negative impacts, other group members believed that the failure was simply because the proposed adjustment amount was not vetted by City staff for adequacy.

## Not Recommended: PBA as a Floor<sup>9</sup>

The primary reasons the ELOWG do not support the idea of using a PBA as a floor are:

- Even with staggered elections, there could be potential confusion if both a PBA and a Home Rule election are asked to be approved by the voters.
  - **All group members believe a PBA option should be viewed as an alternative to Home Rule, not a backup.**
    - As identified in discussions with other cities'/towns' representatives, there are no examples of cities/towns choosing to use a PBA as a fallback position while continuing to pursue Home Rule elections.
      - In those discussions held with other cities'/towns' representatives, the approach taken was either a Home Rule option or a PBA that eliminated the need for a Home Rule election.
      - The main reasons cited were the confusion for the voters and opinions that spending the time and effort of going through the process to ask for a PBA that was inadequate for the city's/town's needs did not make sense.
    - While a group member still views the concept of utilizing a floor PBA to be a desirable option, all group members concur that the practicalities of using a PBA as a floor with Home Rule as the primary expenditure limitation option are not realistic.
    - There were other group members that had previously believed PBAs should have been presented to voters in the past to raise the state-imposed limit in order to provide a better choice of options between whether to vote yes on Home Rule or not; however, those members have since changed their opinions and think that it makes more sense to either continue with Home Rule or offer voters a PBA that would be considered a ceiling.
    - If Home Rule should ever fail, the law allows the voters to approve a one-time override that, if approved, would provide the City additional time to consider options before the state limits are imposed.
- A PBA close to the City's needs, but just under, would likely lead to less preferable business decisions should a Home Rule election fail.
  - If PBA is used as a floor, some voters might believe the difference in a Home Rule request and a "floor" PBA would be small enough that those voters would assume that there would be no impact on services. A floor PBA would likely push the City toward delaying or cutting desired projects or services to stay within expenditure limits.
  - Since debt expenditures are excludable, some cities/towns use debt financing for projects to stay within their expenditure limits. A floor PBA would likely push the City toward debt financing even when cash is available; however, the preference of many members of the Sedona community is to cash fund projects whenever possible.

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<sup>9</sup> The ELOWG used the term "floor" to mean setting a PBA as fallback position in case Home Rule fails.

## Not Recommended: Capital Projects Accumulation Fund

The Capital Projects Accumulation Fund option would require voter approval to grant an exclusion for a revenue source or other specific monies to be dedicated to the purchase of land and the purchase or construction of buildings or improvements. Under both the state-imposed limit and PBA, exclusions apply.

While considered a potentially useful option in the future, the ELOWG members believe this is not a viable option at this time.

**Paired with the State-Imposed Limit** – Even with a Capital Projects Accumulation Fund exclusion, the group’s opinion is that the current state-imposed limit would still not be adequate.

The state-imposed limit for fiscal year 2019-20 is \$13.3 million, and the City’s estimated operating expenditures that would have been applicable to the limit for fiscal years 2014-15 through 2017-18 ranged from \$16.8 million to \$22.4 million. The ELOWG believe cuts of this nature would be too extreme, and the City would be unable to meet the needs and wants of the community.

**Paired with a PBA** – The group’s opinion is that asking the voters to approve both a Capital Projects Accumulation Fund exclusion and a PBA option is a very complex issue to communicate in an election process. If a PBA option is chosen, the group believes it would be better to ask for a PBA that allows adequate room for capital expenditures instead.

## Conclusions

Based on the in-depth analysis performed by the group, the ELOWG recommends Home Rule as the best fiscal choice for Sedona.

The work group does understand the various concerns about continuing with Home Rule, and if Council chooses to place a PBA question on the ballot, the group recommends an increase over current spending needs with the goal of eliminating the need for Home Rule elections for 10 to 15 years.

## Appendix I – Summary of Conference Call with George Pettit, Former Town Manager for Town of Gilbert

- The Town of Gilbert has had a single PBA since FY 1997-98.
- The Town was experiencing significant population increases with population doubling every 5 years.
- Since the approval of the PBA, the Town’s population has grown from approximately 95,000 to approximately 267,000.
- In outreach discussions with the community, the Town staff explained the differences in the level of service from FY 1979-80<sup>10</sup> to the level of service at the time when the PBA was proposed.
  - In FY 1979-80, the Town had a volunteer fire department and only used evaporative ponds for wastewater effluent management.
  - In 1996, the Town was planning to add additional fire stations and another wastewater treatment plan.
- The key factor that led to the pursuit of a PBA was the declining approval of Home Rule. Election results had declined from a 55% approval to 51% approval.
- The PBA amount proposed was approximately 120-130% over the original base and based on the amount deemed necessary for the Town’s 35-year projection.
- The Town is now getting close to their limit due to various regulatory changes and changes in the approach to Parks & Recreation as a result of the community’s desire for more district parks.
- The Town chose a long-range PBA because they felt that it would be too confusing since voters may assume that “permanent” would mean no future expenditure limitation adjustments would be necessary.
- The Town had concerns that if there was a need to pursue Home Rule again too soon, the community would assume that the Town did not know what it was doing when the PBA amount was proposed.

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<sup>10</sup> The base for state-imposed limits is FY 1979-80 expenditures.

## Appendix II – Summary of Conference Call with Jerry Hart, Former Finance Director of City of Tempe

- The City of Tempe has had 3 PBAs and no Home Rule elections. The PBA elections were in 1996, 2002, 2018.
  - The first PBA passed with 67% approval.
  - The second passed with 75% approval.
  - The third passed with 74% approval.
  - The approval ratings are similar to the approvals that Tempe sees in their bond elections, which are typically around 75%.
- The City did not want to pursue Home Rule elections every 4 years and chose the PBA option for a slightly longer election cycle.
  - PBA amounts were based on a goal of lasting 10 years.
    - The first PBA only last 6 years.
    - The second PBA only lasted as long as it did because of cuts made during the Great Recession. The City was already planning another PBA election for 2008 when the recession made the election unnecessary.
- Each year, the City’s long-range forecasts include a 5-year forecast of expenditure limits to identify when the next PBA election will be necessary.
- In outreach discussions with the community, the City staff emphasized that the PBA does not increases taxes.
- The most recent PBA increased the City’s base from approximately \$65 million to \$95 million, approximately a 45% increase.
- The PBA amounts have been based on specific service level changes such as:
  - Expanded transit such as a free neighborhood circulator and the addition of light rail
  - Public Safety Personnel Retirement System (PSPRS) rate increases
  - Funding for pre-kindergarten education<sup>11</sup>
- In the early 2000s, the City had reach what was presumed to be buildout; however, the City still experienced growth due to new multi-family housing units and a variety of community development such as the Tempe Town Lake area. In addition, the City has seen a significant increase in the number of commuters coming into Tempe for work.
  - City staff believes the PBAs have not lasted as long as anticipated because the population adjustment factors do not take into account the commuters, ASU students, or tourists.
- When approaching its expenditure limit, the City has had to make financial decision based on staying within the limit instead of good business sense.
  - Tempe has had revenue increases that could not be spent due to the expenditure limit.
    - As a charter city, Tempe’s sales tax increases require voter approval. In 1997, the voters approved a sales tax for transit. In the mid-2000s, the voters approved a sales tax for performing arts with a 20-year sunset.
  - Tempe has had to issued bonds to utilize exclusions even though there was enough cash to fund projects.

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<sup>11</sup> Pre-K education is not funded by the state, and Tempe views pre-K education to be an important community need. The program is currently in the pilot phase.

# Expenditure Limitation Options

## Quick Reference Guide



### EXPENDITURE LIMITATION OPTIONS\*

#### STATE-IMPOSED LIMIT

Adjusted annually for:

- Changes in population (increases or decreases)
- Inflation
- Annexations
- Voter-approved permanent base adjustments

#### ALTERNATIVE LIMIT (HOME RULE OPTION)

- Voter approval required
- Free from any ties to the state-imposed expenditure limitation
- Annual adopted budget is limit
- Exclusions only apply if specifically identified in voter-approved Home Rule proposal
- In effect for four years
- If not approved by the voters, may not submit new Home Rule proposal for at least two years

#### PERMANENT BASE ADJUSTMENT (PBA)

- Voter approval required
- Allows city/town to permanently adjust its base limit
- Applies to all future years
- Voters may adopt additional PBAs
- Constitutionally allowable exclusions apply

#### CAPITAL PROJECTS ACCUMULATION FUND

- Voter approval required
- Becomes an exclusion (see #2h of Constitutionally Allowable Exclusions below)

#### ONE-TIME OVERRIDE

- Voter approval required
- Allows city/town to exceed its constitutional expenditure limitation by specific amount in fiscal year after election

#### EMERGENCY OVERRIDE – GOVERNOR DECLARED

Can exceed expenditure limitation by amount necessitated by disaster if two-thirds of city/town council vote in favor of excess

#### EMERGENCY OVERRIDE – LOCAL GOVERNING BOARD DECLARED

Needs affirmative vote of 70% city/town council to exceed expenditure limitation by amount necessitated by disaster

Options:

- Reduce budget in fiscal year following disaster by amount of excess funds expended due to disaster, or
- Seek voter approval for authorization to expend the funds after the fact

\* Can adopt both Home Rule and PBA – will be subject to Home Rule if Home Rule authority has not expired

### CONSTITUTIONALLY ALLOWABLE EXCLUSIONS

- 1) Debt repayment expenditures
- 2) Expenditures paid from:
  - a) Debt proceeds
  - b) Dividends, interest, and gains on sale or redemption of investment securities
  - c) Amounts received in capacity as trustee, custodian, or agent
  - d) Grants and aid from federal government
  - e) Grants, aid, contributions, or gifts from private agency, organization, or individual, except amounts received in lieu of taxes
  - f) Amounts received from state included in state's appropriation limit
  - g) Revenues due to quasi-external interfund transactions
  - h) Amounts accumulated for purchase of land, and purchase or construction of buildings or improvements, if such accumulation and purpose have been approved by the voters
  - i) Highway User Revenue Fund (HURF) revenues in excess of HURF revenues received in FY 1979-80
  - j) Revenues derived from contracts with other political subdivisions
  - k) Refunds, reimbursements, and other recoveries of expenditures applied against expenditure limit of a prior fiscal year
  - l) Any excludable revenue sources expended in fiscal year subsequent to fiscal year when revenue received
- 3) Expenditures for capital improvements subsequently repaid from bond proceeds or other long-term debt obligations



# Arizona Expenditure Limitation Options

City Council Meeting  
January 14, 2020



# Agenda

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Arizona Expenditure Limitation  
Options

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History of Sedona Expenditure  
Limitation Elections

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Options Selected by Arizona Cities &  
Towns

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Estimated Historical Expenditures  
Subject to Limit & Exclusions

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Citizen Work Group

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Council Discussion/Direction





## State-Imposed Expenditure Limit

Arizona Constitution, Article IX, §20

Economic Estimates Commission (EEC) established base limit

- FY 1979-80 actual expenditures of local revenues for each city/town

Each year, EEC calculates constitutional expenditure limitation adjusting for:

- Voter-approved permanent base adjustments (PBAs)
- Annexations
- Changes in population
- Inflation



## Cities/Towns Incorporated after 1980

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Base limit of newly incorporated city/town  
determined by EEC

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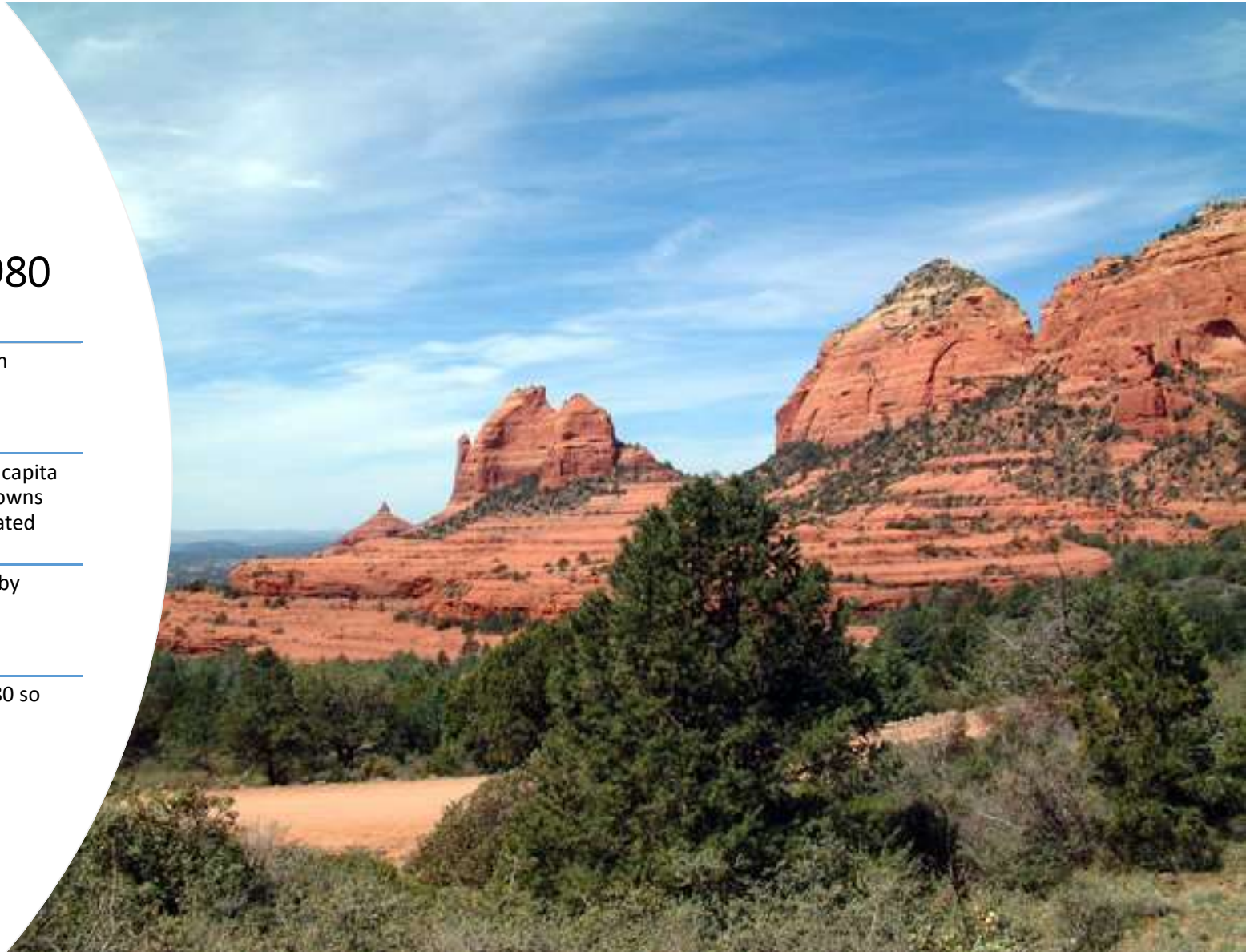
Average amount of actual FY 1979-80 per capita  
payments of local revenues for all cities/towns  
within county in which new city/town located

---

Average per capita figure then multiplied by  
population of new city/town

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City of Sedona was incorporated after 1980 so  
base limit was calculated in this manner





# Local Revenues

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Expenditure limitation applies only to expenditures of local revenues

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Defined in Arizona Constitution, Article IX, §20(3)(d)

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Constitution excludes some monies from local revenues definition

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Everything not specifically excluded is included under state-imposed expenditure limitation

# Home Rule

Arizona Constitution, Article IX, §20(9)

Voter approval required

Home Rule option free from any ties to the state-imposed expenditure limitation

Annual adopted budget becomes alternative expenditure limitation

A city/town under Home Rule may use any exclusions specifically identified in voter-approved Home Rule proposal

- City of Sedona has not previously included any exclusions in the ballot language

When Home Rule Option adopted, remains in effect for four years

- Following 4<sup>th</sup> year, alternative must be reapproved, new alternative may be proposed, or revert to state-imposed limit



# Permanent Base Adjustment (PBA)



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Arizona Constitution, Article IX, §20(6)

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Allows city/town to permanently adjust its base limit with voter approval

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Applies to all future years

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Voters may adopt additional adjustments

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Once implemented and city/town operating under new base, constitutionally allowable exclusions apply

# Capital Projects Accumulation Fund

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Voter approval required

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Becomes an exclusion

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No cities/towns have Capital  
Projects Accumulation Fund since  
Home Rule and PBA can include  
capital projects expenditures





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# One-Time Override

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Arizona Constitution, Article IX, §20(2)(c)

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Allows city/town to exceed its expenditure limitation with voter approval

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Does not allow city/town to establish alternative expenditure limitation for one year

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Instead, allows city/town to exceed its constitutional expenditure limitation by specific amount in fiscal year after election

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Resolution and ballot language should include specific amount of excess expenditures voters asked to authorize

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## Emergency Override – Governor Declared

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City/town faced with governor-declared man-made or natural disaster

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Can exceed expenditure limitation by amount necessitated by disaster if two-thirds of city/town council vote in favor of excess





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## Emergency Override – Local Governing Board Declared

City/town faced with natural or man-made disaster not declared by the governor

Affirmative vote of 70% of the council to exceed its expenditure limitation by amount necessitated by disaster

### Options

- Seek voter approval for authorization to expend the funds after the fact
- Reduce budget in fiscal year following disaster by amount of excess funds expended due to disaster



# Constitutionally Allowable Exclusions

## Debt repayment expenditures

### Expenditures paid from:

- a) Debt proceeds
- b) Dividends, interest, and gains on sale or redemption of investment securities
- c) Amounts received in the capacity of trustee, custodian, or agent
- d) Grants and aid from federal government
- e) Grants, aid, contributions, or gifts from private agency, organization, or individual, except amounts received in lieu of taxes
- f) Amounts received from state included in state's appropriation limit
- g) Revenues due to quasi-external interfund transactions
- h) Amounts accumulated for purchase of land, and purchase or construction of buildings or improvements, if such accumulation and purpose have been approved by the voters
- i) Highway User Revenue Fund (HURF) revenues in excess of HURF revenues received in FY 1979-80
- j) Revenues derived from contracts with other political subdivisions
- k) Refunds, reimbursements, and other recoveries of expenditures applied against expenditure limit of a prior fiscal year
- l) Any excludable revenue sources expended in fiscal year subsequent to fiscal year when revenue received

Expenditures for capital improvements subsequently repaid from bond proceeds or other long-term debt obligations



# Combining Home Rule and PBA

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A city/town under Home Rule may adopt a PBA

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Adjusted base limit used to calculate constitutional expenditure limitation for year following PBA approval

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Still subject to Home Rule if Home Rule authority has not expired

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A city/town that has adjusted base limit may adopt a Home Rule

---

PBA does not affect Home Rule process

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If voters do not approve Home Rule proposal, constitutional expenditure limitation applies

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The city/town may not submit a new Home Rule proposal to the voters for at least two years

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However, the city/town may submit to its voters a PBA or one-time override



# History of Home Rule Elections

Election Date	Yes Votes	No Votes	% Yes	% No	Pass/Fail
1990-03-20	1,462	1,137	56.25%	43.75%	Pass
1994-03-08	961	1,262	43.23%	56.77%	Fail
1996-05-21	1,620	1,305	55.38%	44.62%	Pass
2000-03-14	914	530	63.30%	36.70%	Pass
2004-03-09	1,917	965	66.52%	33.48%	Pass
2008-03-11	1,812	1,381	56.75%	43.25%	Pass
2012-03-13	1,824	799	69.54%	30.46%	Pass
2014-08-26	1,762	855	67.33%	32.67%	Pass
2018-08-28	2,739	1,331	67.30%	32.70%	Pass

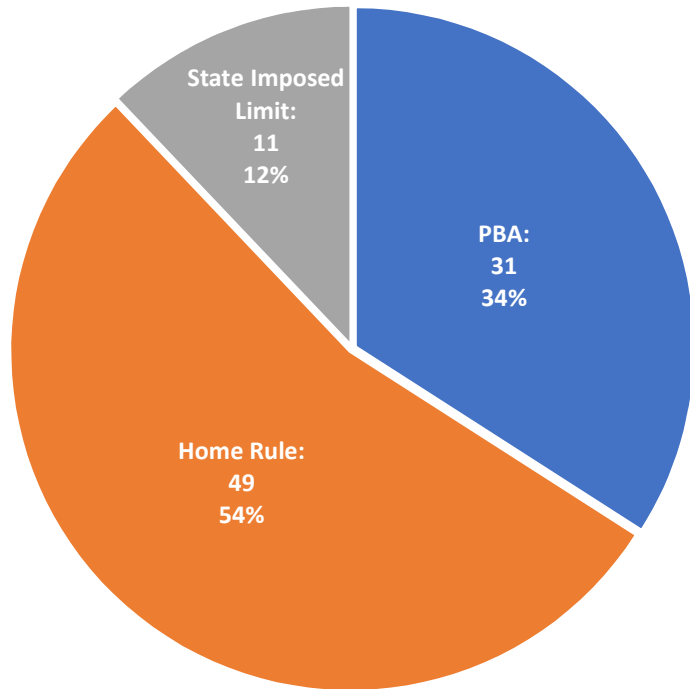




## History of PBA Elections

Election Date	Yes Votes	No Votes	% Yes	% No	Pass/Fail
2019-11-06 (citizen initiative)	1,981	3,431	36.60%	63.40%	Fail

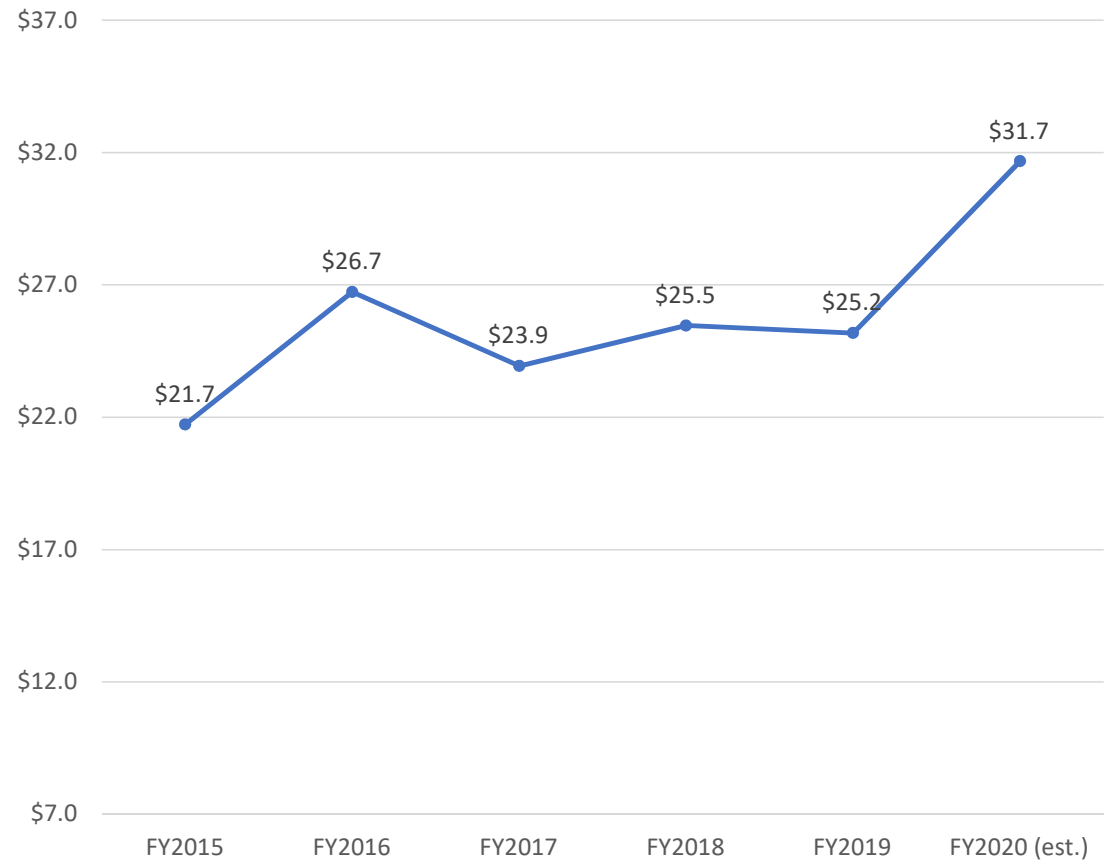
# Options Selected by All 91 Arizona Cities/Towns



## Estimated Historical Expenditures Subject to Limit

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Est.)
Adjusted expenditures	\$30,864,253	\$35,980,638	\$33,209,628	\$37,189,203	\$37,656,444	\$41,112,504
Exclusions	(9,142,460)	(9,249,313)	(9,272,339)	(11,823,655)	(12,473,435)	(9,445,344)
Expenditures subject to limit	\$21,721,793	\$26,731,325	\$23,937,289	\$27,816,587	\$25,183,009	\$31,667,960

# Estimated Historical Expenditures Subject to Limit



## Current Exclusions Potentially Nonexcludable in Future Years

	FY2015	FY2016	FY2017	FY2018	FY2019	FY2020 (Budget)
Debt payments	\$7,035,726	\$6,172,914	\$5,968,779	\$6,051,502	\$6,997,016	\$5,995,190
Contracts with other govts – storm drainage	955,703	1,085,794	1,350,581	2,170,247	875,398	350,000
Totals	\$7,991,429	\$7,258,708	\$7,319,360	\$8,221,749	\$7,872,414	\$6,305,190



# Comparison of Estimated Historical Adjusted Expenditures & Expenditures Subject to Limit

(w/o Exclusions Potentially  
Nonexcludable in Future Years)





# Citizen Work Group

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# Many Thanks to the Work Group Participants!

Richard  
Breunich

Peter  
Furman

Charlotte  
Hosseini

Jean  
Jenks

Shaeri  
Richards

Michael  
Salamon

Roger  
Shlonsky

Lynn  
Zonakis



**THANK  
YOU!**



# Discussion with Work Group Members



# Council Discussion/Direction