

**Action Minutes**  
**Special City Council Meeting – Budget Work Session**  
**City Council Chambers, Sedona City Hall,**  
**102 Roadrunner Drive, Sedona, Arizona**  
**Wednesday, June 3, 2020, 8:00 a.m. &**  
**Thursday, June 4, 2020, 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 Scott Jablow, Councilor Tom Lamkin, Councilor Jessica Williamson.

**Staff Present:** City Manager Justin Clifton, City Attorney Robert Pickels, Jr., Finance Director Cherie Wright, City Clerk Susan Irvine.

**3. Special Business**

**Work Session regarding City of Sedona budget for Fiscal Year 2020/2021. 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: Public comment on all budget items will be taken at the outset of the meeting. Each person commenting will have a maximum of two minutes. The entire period for the public comment will not exceed thirty minutes**

Opened to the public at 8:03 a.m.

No comments were received

Brought back to Council at 8:03 a.m.

- b. An introduction to and overview of the 2020/2021 Fiscal Year Budget process will be presented, and strategic budget issues for FY 2021 will be discussed.**

Presentation by Cherie Wright and Justin Clifton.

**Introduction** – Cherie gave an overview of the budget calendar and how the budget is organized. Cherie thanked the Citizens Budget Work Group: Velma Keller, Tom Lamkin, Robin Low, Jeff Mahan, Stephen McGarry, Karla Stamps, and Lynn Zonakis and the Revenue Forecasts Work Group: Cari Meyer, Molly Spangler, and Jennifer Wesselhoff for their feedback and dedication of time. The goals of the budget work session are to: ensure Council understands what is included in the budget, determine the amount of the budget cap, and discuss the City's capacity for managing the current financial crisis.

Cherie reviewed the budget calendar, layout of the budget books, and the process for the next two days. The budget is developed with a best-case scenario but will be

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monitored and adjusted based on the impacts to the economy from the COVID-19 pandemic. The City is currently under a discretionary spending and hiring freeze while the impacts to the economy are assessed. Cherie reviewed the historical budget, actual expenditures, and fund balances. She advised that, based on our conservative spending, the City is in an excellent position going into the economic downturn. Cherie reviewed the City's fund balance policies.

**Budget Overview** – Cherie stated that the total proposed expenditures are \$51.7 million and proposed revenues are \$39.7 million. Surplus funds of \$18.1 million may be available to fund decision packages, supplement reserves, fund Council priorities, pay down liabilities, and/or maintain rate stabilization. Revenue changes from the FY 2020 budget to the FY 2021 budget total a decrease of \$5.4 million which is a 12% decrease.

Salary & Benefit Changes – there are no wage adjustments included in the budget for the next fiscal year; health insurance reflects a 10% increase; ASRS reflects an 8% increase; the PSPRS minimum payment increased 25%; suspending the PSPRS level funding approach results in a decrease of \$303,000; workers compensation increased \$33,000; decision packages would result in an increase of \$139,000; and other adjustments result in a decrease of \$74,000. The net impact of all adjustments results in a \$50,000 increase.

Changes to operations expenses include: an increase of \$59,000 for service contracts; additional funds of \$134,000 for street maintenance; an increase of \$30,000 due to the travel time data collection license being moved from the CIP to the operating budget; an increase of \$40,000 for facilities maintenance; a \$39,000 increase for drainage maintenance; an \$895,000 decrease in one-time costs; an increase of \$79,000 for indirect cost allocations; decision packages of \$261,000; other adjustments of \$77,000; and a \$378,000 decrease in Verde Lynx funding based on CARES Act funding they received. The net impact to operations expenses reflects a decrease of \$554,000.

Capital Improvement Project changes include: Arts & Culture decrease of \$130,000; Information Technology increase of \$100,000; Municipal Court increase of \$359,000; Parks & Recreation increase of \$93,000; Police increase of \$516,000; Public Works decrease of \$51,000; Sedona in Motion (transportation projects) increase of \$2.88 million with an offset of -\$3.3 million for carryovers; storm drainage decrease of \$1.06 million; streets and transportation increase of \$2.6 million; and wastewater decrease of \$2.7 million.

Debt Service changes include: a Bonds decrease of \$4,000; a Capital Leases increase of \$20,000; and an Installment Purchases increase of \$44,000.

Contingencies changes include: a reduction \$895,000 for the Affordable Housing contingency not used and an additional \$100,000 proposed separately in a decision package.

Council Priorities funded in the budget include: \$7.8 million for traffic improvements; \$326,500 for environmental stewardship with an additional \$82,900 in decision packages recommended for approval but frozen; \$800,000 for housing with an additional \$200,000 in decision packages recommended for approval but frozen; \$2.6

million in stormwater projects; \$2.5 million for sustainable tourism; \$200,000 for Sedona Recycles; \$13,900 for CFA development; \$40,000 for monitoring of short-term rentals; and \$85,800 for economic diversification with an additional \$47,400 in decision packages recommended for approval but frozen

Transfers between funds are budgeted as follows: General Fund to Streets Fund of \$272,840; General Fund to Affordable Housing Fund \$200,000; General Fund to Capital Improvements Fund \$2.0 million; General Fund to Wastewater Enterprise Fund of \$3.4 million; General Fund to Capital Improvements Fund for Paid Parking Revenues \$575,000; Transportation Sales Tax Fund to Capital Improvements Fund of \$5.98 million; and Capital Improvements Fund to Art in Public Places Fund of \$41,587.

Questions and comments from Council throughout presentation.

**c. An overview of the actions that could be taken in response to the financial crisis will be presented and discussed.**

Presentation by Cherie Wright and Justin Clifton.

Cherie advised that all discretionary spending has been frozen including: filling of vacant positions; pay & benefit adjustments; training not associated with mandatory licensing or credentialing; avoidable travel, professional services unless the project is underway; non-necessary equipment; replacement of materials, equipment, or furniture unless not functional; discretionary remodels; and food, celebrations, appreciation gifts, and other forms of recognition. Case-by-Case exemptions may be granted for the following: vacant positions critical to the basic mission; equipment replacement or maintenance if deferral would lead to failure; projects where deferral may significantly increase costs later; and prioritized expenditures where sufficient revenues are available. The goals and principles considered in dealing with the financial crisis are as follows: do not jeopardize the City's fiscal sustainability; avoid furloughs and layoffs; buy low; maximize opportunities to get funds into our local economy; and preserve service levels and programs as much as reasonably possible.

Cherie presented various scenarios for budget adjustments which may be necessary based on the economic impacts resulting from the COVID-19 pandemic. Multiple tiered scenarios were presented and explained.

Questions and comments from Council throughout presentation.

**Break at 10:56 a.m. Reconvened at 11:20 a.m.**

**d. An overview of the Fund Summaries will be presented.**

Presentation by Cherie Wright and Justin Clifton.

**General Fund** - Revenues are budgeted at \$23.7 million. Ongoing expenditures are budgeted at \$19.8 million and one-time & contingent expenditures are budgeted at \$2.2 million. FY 2021 Carryovers are as follows: Market Study Adjustments \$200,000; Climate Action Plan \$17,000; and industrial shredder \$2,400.

Reserves are as follows: Operating Reserve of \$3.3 million; Equipment Replacement Reserve of \$984,000; and Paid Parking Reserves \$93,000. Balance available after reserves would be \$0.

Decision Packages total \$119,000 in one-time costs and \$413,368 in ongoing costs for a total of \$532,368. City Manager recommended decision packages total \$33,000 and \$130,300 recommended but frozen. \$369,068 was not recommended for approval by the City Manager.

**Streets Fund** - ongoing revenues are budgeted at \$933,000 with no one-time & contingent revenues. Ongoing expenditures are budgeted at \$1.2 million with no one-time & contingent expenditures. The Fund Balance Reserve is \$121,000, and the balance available after reserves is \$891,000.

**Affordable Housing Fund** - ongoing revenues are budgeted at \$6,000 and one-time & contingent revenues are projected at \$199,000. Ongoing expenditures are budgeted at \$221,000 with one-time & contingent expenditures of \$800,000. There is a carryover of \$1.0 million from FY20. The restricted Fund Balance is \$0, and the balance available after reserves is \$1.3 million. Decision Packages total \$195,000 in one-time costs and \$4,500 in ongoing costs for a total of \$200,000. City Manager recommended but frozen decision packages total \$200,000 with this amount being offset with a reallocation of contingency.

**Grants & Donations Fund** - ongoing revenues are budgeted at \$57,000 and one-time & contingent revenues are budgeted at \$741,000. Ongoing expenditures are budgeted at \$32,000 and one-time & contingent expenditures are budgeted at \$970,000. There are carryovers in the amount of \$11,200 for court security and \$317,500 for the Hope House Project. The Fund Balance is \$196,000.

Decision Packages total \$36,200 directly funded by a revenue offset which the City Manager recommended for approval.

**Transportation Sales Tax Fund** – revenues are budgeted at \$2.5 million and expenditures are budgeted at \$256,000. There is a restricted balance of \$2.9 million.

**Capital Improvements Fund** - ongoing revenues are budgeted at \$564,000 and one-time & contingent revenues are budgeted at \$403,000. There are no ongoing expenditures budgeted and one-time & contingent expenditures are budgeted at \$12.6 million. The Capital Reserves are \$3.4 million and the balance available after reserves is \$3.3 million.

**Development Impact Fees Fund** - ongoing revenues are budgeted at \$209,000 and one-time & contingent revenues are \$424,000. There are no ongoing expenditures budgeted, and one-time & contingent expenditures are budgeted at \$1.3 million. Capital Reserves are \$1.9 million, and the Fund Balance is \$72,000.

**Art in Public Places Fund** – ongoing revenues are budgeted at \$1,000 and no expenditures are budgeted. The restricted balance after reserves is \$192,000.

**Wastewater Enterprise Fund** - ongoing revenues are budgeted at \$7.0 million and one-time & contingent revenues are budgeted at \$978,000. Ongoing expenditures are budgeted at \$4.2 million and one-time & contingent expenditures are budgeted at \$6.5 million. Operating Reserves are \$1.5 million; Capital Reserves are \$3.9 million; Equipment Replacement Reserves \$858,000; and Major Maintenance Reserves are \$126,000. The balance available after reserves is \$8.9 million.

There is a FY 2020 Carryover of \$10,000 for an electrical safety plan.

Decision Packages total \$62,000 in one-time costs which was not recommended for approval by the City Manager.

**Information Technology Internal Service Fund** - ongoing revenues are budgeted at \$1.8 million and one-time & contingent revenues are budgeted at \$8,000. Ongoing expenditures are budgeted at \$1.5 million and one-time & contingent expenditures are budgeted at \$156,000. The Equipment Replacement Reserve is \$373,000 and the balance available after reserves is \$249,000. There were no Decision Packages.

Questions and comments from Council throughout presentation.

**e. 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 \$15.7 million in available funds with \$5.0 million in Unrestricted Capital Reserves. CIP projects, including carryovers, are budgeted at \$15.7 million as follows: Sedona in Motion \$7.7 million; Streets & Transportation \$2.6 million; and Wastewater \$1.38 million; Storm Drainage \$1.35 million; Police \$1.08 million; Municipal Court \$623,537; Parks & Recreation \$550,518; Information Technology \$200,000; and Public Works \$165,000.

Questions and comments from Council throughout presentation.

**f. An overview of departmental budgets will be presented and reviewed with any departments requested by the City Council.**

Presentation by Cherie Wright and Justin Clifton.

**Economic Development** – presentation by Cherie Wright and Justin Clifton. Total budget reflects a 15% increase over FY20. Decision packages reflect a reduced total of \$62,400 with \$30,000 for entrepreneurial assistance; \$12,400 for a VISTA AmeriCorps Volunteer; and \$20,000 for marketing. The City Manager recommended all for approval with them initially being frozen.

**Break at 12:29 p.m. Reconvened at 1:16 p.m.**

**City Manager's Office** – presentation by Justin Clifton and McKenzie Jones. Budget reflects an increase of 5% over FY20. Decision packages total \$136,840 with \$25,000 for renewable energy purchase (Council wants to revisit prior to proceeding); \$20,000 for marketing environmental behavior initiatives; \$20,000 for renewable site analysis &

contract review; \$12,400 for VISTA AmeriCorps Volunteer; \$38,000 for electric vehicle charging infrastructure; \$21,440 for reclass Arts & Culture Coordinator. The City Manager recommended \$32,500 on Sustainability issues and all others for approval with them initially being frozen except for reclass Arts & Culture Coordinator which was not recommended for approval.

**General Services** – presentation by Cherie Wright. Budget remains largely unchanged from FY20. Outstanding debt as of July 1, 2019 will be \$19,965,000. The budget reflects a one-time cost of \$5.7 million for bond payments. Community service contracts increased \$59,059 which reflects changes requested for new contract terms. Most of the organizations have indicated that they would be willing to accept reductions in the amount requested and possibly even remain at a flat amount from FY20 based on the economic downturn. Small grants are budgeted at \$166,500. Council agreed that highest priority should be given to entities providing health and human services directly related to critical need related to COVID-19 or those directly impacted by the pandemic without a target budget amount. The committee should also look at prioritizing applications outside of that focus which might be available for future funding if the financial situation improves.

**Community Development** – presentation by Karen Osburn. Expenditures increased by approximately 9% over FY20. Decision packages totaled \$240,378 including \$40,378 for building safety reorganization and \$200,000 for affordable housing. The City Manager recommended affordable housing for approval with it initially being frozen and did not recommended building safety reorganization for approval. Discussion about programs and allocations took place.

**Parks & Recreation** – presentation by Karen Osburn, Andy Dickey, and Steve Richardson. Direct costs reflect an increase of approximately 5% over FY20. There was a decision package in the amount of \$76,200 which was not recommended for approval. CIP projects for FY 2021 total \$550,518. Operations at the pool for this season were discussed which will be impacted by the COVID-19 pandemic and different protocols for safe operations.

**Break at 3:53 p.m. Reconvened at 4:08 p.m.**

**Public Works** – presentation by Andy Dickey. Direct costs reflect an increase of 2% over FY20. Decision packages totaled \$158,550 and none were recommended for approval. CIP projects for FY 2021 are as follows: Uptown Enhancements \$165,000; Storm Drainage \$1.35 million; SIM \$7.8 million; and Streets & Transportation \$2.6 million.

**Break at 5:02 p.m. Reconvened at 8:00 a.m. on Thursday, June 4, 2020.**

**Wastewater** – presentation by Roxanne Holland. The budget reflects a decrease of 15% from FY20. Decision packages totaled \$62,000 and were not recommended for approval. Councilor Chisholm noted for the record that he would like to see the Area 4 Vault Upgrade completed. CIP projects for FY 2021 total \$1.38 million.

**Police** – presentation by Chief Husted. The budget reflects a decrease of 5% from

FY20. Decision packages totaled \$36,200 and all were recommended for approval. CIP projects were reviewed and for FY 2021 total \$1.1 million.

**Municipal Court** – presentation by Lisa Parsons. Budget reflects an increase of 31% largely due to the change from part-time to full-time for the judge, increase for court-appointed attorneys, and a requirement for a court security officer from the Administrative Office of Courts. There was one decision package for \$26,000 which was recommended for approval. There is one CIP project totaling \$623,537 for the Sinagua Courtroom Remodel which still needs more evaluation.

**Information Technology** – presentation by Chuck Hardy. Budget reflects a decrease of 1% from the FY20 budget. There were no decision packages, and one CIP project totaling \$200,000.

**Financial Services** – presentation by Cherie Wright. The budget reflects a 3% decrease from FY20. There was one decision package for \$25,000 which was not recommended for approval. Council wanted this decision package recommended for approval but frozen.

**City Attorney's Office** – presentation by Robert Pickels, Jr. The budget reflects a 2% decrease from FY20.

**Human Resources** – presentation by Brenda Tammarine. The budget reflects a 1% decrease from FY20.

**City Council** – presentation by Susan Irvine. The budget reflects a 2% decrease from FY20.

**City Clerk's Office** - the budget reflects a 13% increase over FY20 which is largely due to election expenses.

Questions and comments from Council throughout presentation.

**g. Recap and review of overall budget, decision packages, capital improvement projects, and financial impacts.**

Presentation by Cherie Wright and Justin Clifton.

Questions and comments from Council throughout presentation.

**Break at 10:32 a.m. Reconvened at 10:51 a.m.**

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

<b>Description</b>	<b>Council Direction</b>	<b>One-Time</b>	<b>Ongoing</b>	<b>Total</b>
<b>General Fund</b>				
Reclass Arts & Culture Coordinator	Not recommended	-	-	-
Renewable Energy Purchase	FROZEN - Recommended <sup>1</sup>	-	\$12,500	\$12,500
Marketing Environmental Behavior Initiatives	FROZEN - Recommended <sup>1</sup>	-	\$5,000	\$5,000
Renewable Site Analysis & Contract Review	FROZEN - Recommended <sup>1</sup>	\$10,000	-	\$10,000
AmeriCorps VISTA Assistant for Sustainability	FROZEN - Recommended	-	\$12,400	\$12,400
Electric Vehicle Charging Infrastructure	FROZEN - Recommended	\$38,000	-	\$38,000
Internal Control Audit	Not recommended	-	-	-
Recreation Coordinator	Not recommended	-	-	-
Building Safety Reorganization	Not recommended	-	-	-
Trailer Boom Lift	Not recommended	-	-	-
Curbside Yard Waste Collection	Not recommended	-	-	-
Reclass Part-time Bike Park Maintenance to Full-time	Not recommended	-	-	-
Entrepreneurial Assistance	FROZEN - Recommended	-	\$15,000	\$15,000
AmeriCorps Vista Economic Development Assistance	FROZEN - Recommended	-	\$12,400	\$12,400
Marketing	FROZEN - Recommended	-	\$25,000	\$25,000
Biohazard Services	Recommended	-	\$7,000	\$7,000
Court Security Officer	Recommended	-	\$26,000	\$26,000



Description	Council Direction	One-Time	Ongoing	Total
<b>General Fund Total</b>		<b>\$48,000</b>	<b>\$115,300</b>	<b>\$163,300</b>
<b>Affordable Housing Fund</b>				
Affordable Housing Options	FROZEN - Recommended (as reallocation of contingency budget so no dollar amount is included)	-	-	-
<b>Affordable Housing Fund Total</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Grants &amp; Donations Fund</b>				
DUI Enforcement	Recommended	\$1,200	-	\$1,200
Speed & Traffic Enforcement	Recommended	\$10,000	-	\$10,000
Portable Breath Tests	Recommended	\$10,000	-	\$10,000
AED's	Recommended	\$15,000	-	\$15,000
<b>Grants &amp; Donations Fund Total</b>		<b>\$36,200</b>	<b>-</b>	<b>\$36,200</b>
<b>Wastewater Fund</b>				
Area 4 Vault Upgrade	Not recommended	-	-	-
Prefabricated Metal Garage	Not recommended	-	-	-
<b>Wastewater Fund Total</b>		<b>-</b>	<b>-</b>	<b>-</b>
<b>Grand Total</b>		<b>\$84,200</b>	<b>\$115,300</b>	<b>\$199,500</b>

<sup>1</sup>These three items are FROZEN - recommended with a total funding amount of \$32,500 to be allocated as deemed necessary.

**By majority consensus, Council concurred with the Capital Improvements Projects as presented and requested that staff consider financing for projects based on low interest rates. Council also asked that they be regularly updated on the impacts to the budget from the uncertain economic situation following the COVID-19 pandemic. Council also concurred with the following adjustments that were made to the expenditures during the work sessions: Verde Lynx reduced by \$378,100 due to CARES Act funding received; PD Industrial Shredder reduced by**

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\$2,400 as it was purchased in FY20; PD reduction in Taser and INTOX equipment of \$18,400; PD vehicle lease reduction of \$22,500; and reduction in Council travel of \$8,025 due to cancellation of the August League Conference and to a reduction in revenues of \$350,000 due to the loss of Yavapai County Flood Control funding.

**h. Items not completed at this meeting will be carried over to Thursday, June 4, 2020 at 8:00 a.m. Special Budget Work Session Meeting.**

Meeting carried over from 8:00 a.m. to 11:52 a.m. on Thursday, June 4, 2020.

**4. Executive Session**

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

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).**
- b. Return to open session. Discussion/possible action on executive session items.**

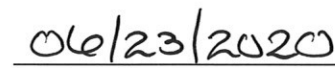
No Executive Session was held.

**5. Adjournment.**

Mayor Moriarty adjourned the meeting at 11:52 a.m. on Thursday, June 4, 2020.

**I certify that the above are the true and correct actions of the Special City Council Meeting held on June 3 & 4, 2020.**

  
Susan L. Irvine, CMC, City Clerk

  
Date