



**City of Sedona, Arizona**  
**Report on Applying Agreed-Upon Procedures**  
**Biennial Certification of Land Use Assumptions,**  
**Infrastructure Improvement Plan**  
**and Development Impact Fees**  
For the Period July 1, 2018 through June 30, 2020

**CITY OF SEDONA, ARIZONA  
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## INDEPENDENT ACCOUNTANT'S REPORT ON APPLYING AGREED-UPON PROCEDURES

Honorable Mayor and Members of the City Council  
City of Sedona, Arizona

We have performed this agreed-upon procedures engagement to assist management of the City of Sedona, Arizona (City), in complying with the requirement as set forth in Arizona Revised Statutes (A.R.S.) 9-463.05.G.2 “to provide for a biennial certified audit of the municipality’s land use assumptions, infrastructure improvements plan and development fees”. We have performed the procedures identified below, which were agreed to by the management of City of Sedona, Arizona, solely to assist management of the City of Sedona in evaluating the City of Sedona’s compliance with the progress reporting requirements of the infrastructure improvement plan for the period from July 1, 2018 through June 30, 2020, as specified in A.R.S. 9-463.05.G.2. City of Sedona, Arizona’s management is responsible for its compliance with those requirements. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purposes.

We have applied the following procedures:

*The progress of the infrastructure improvements plan.*

- a. Compared growth projections for 2019 and 2020 related to population, number of housing units, and employment growth as reported in the Land Use Assumptions to actual results. A list of all variances are reported in the Summary of Findings.
- b. Obtained City-prepared report (see Appendix A) documenting the progress of each project identified in the Infrastructure Improvement Plan (IIP) and performed the following procedures:
  - i. Agreed expenditures as of June 30, 2020 to the underlying accounting records.
  - ii. Agreed amounts reported as estimated cost to complete to underlying accounting records.

*The collection and expenditures of development impact fees for each project in the plan.*

- c. Selected a sample of 40 building permits issued and determined fees were charged in accordance with authorized fee schedules and that each permit holder was charged the same rate as another equivalent permit holder.
- d. Selected a sample of 25 expenditures and determined that the expenditures were associated with an approved project in the City’s IIP.

*Evaluating any inequities in implementing the plan or imposing the development impact fee.*

- e. Determined each developer/unit was charged the same rate as another equivalent developer/unit by recalculating impact fees at the transaction level for the sample mentioned in step c. above.
- f. Determined that there were no instances in which the City waived development impact fees, except as allowed for under A.R.S. 9-499.10.B and A.R.S. 9-500.18.

The accompanying Summary of Findings describes the findings we noted.

This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. We were not engaged to and did not conduct an examination or review, the objective of which would be the expression of an opinion or conclusion, respectively, on compliance with the specified requirements. Accordingly, we do not express such an opinion or conclusion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the management of City of Sedona, Arizona, and is not intended to be and should not be used by anyone other than these specified parties.

*Heinfeld Meech & Co. PC*

Heinfeld, Meech & Co., P.C.  
Phoenix, Arizona  
June 29, 2021

**CITY OF SEDONA, ARIZONA  
SUMMARY OF FINDINGS**

**FINDING NO. 1**

Variations were noted for projections related to population, dwelling units, and employment growth, which is the basis for nonresidential square footage, as reported in the Land Use Assumptions when compared to actual results. All variations are reported below.

<b>2020</b>				
	<b>Projected<sup>1</sup></b>	<b>Actual<sup>2</sup></b>	<b>Variance</b>	<b>Variance %</b>
Total Population	10,665	10,300	(365)	-3%
Total Dwelling Units	6,678	6,679	1	0%
Annual Employment Growth	0.56%	1.03%	0.46%	82%

<b>2019</b>				
	<b>Projected<sup>1</sup></b>	<b>Actual<sup>2</sup></b>	<b>Variance</b>	<b>Variance %</b>
Total Population	10,588	10,374	(214)	-2%
Total Dwelling Units	6,640	6,622	(18)	0%
Annual Employment Growth	0.58%	1.42%	0.84%	145%

1. The projected figures are sourced from the 2018 Land Use Assumptions Report pages 6 and 8.
2. The source of actual population is the Arizona Office of Economic Opportunity Population Estimates as of July 1, 2019 and 2020. The source of actual dwelling units is the City's records. The source of actual employment growth is the 2020 Sedona Economy Overview Report for zip code 86336 produced by the Regional Economic Development Center of Yavapai College.

**CITY OF SEDONA, ARIZONA  
SUMMARY OF FINDINGS**

**FINDING NO. 2**

For 21 of 40 permits reviewed, the City did not properly charge impact fees in accordance with adopted infrastructure improvement plans resulting in a net undercharge of \$13,906. The details are presented in the following table.

<b>Impact Fee Category</b>	<b>Number of Permits</b>	<b>Adopted Fee</b>	<b>Fee Assessed</b>	<b>Net Fee Over (Under) Assessed</b>
2014 - General Government - Single Family	13	\$ 2,522	\$ -	\$ (2,522)
2014 - Parks - Single Family	1	3,627	-	(3,627)
2014 - Streets - Multi Family	2	2,862	-	(2,862)
2014 - Police - Single Family	1	-	511	511
2014 - Storm Drainage - Multi Family, Dry Creek	3	900	81	(819)
2014 - Storm Drainage - Non Residential, Dry Creek	1	16	3	(13)
2019 - Streets - Residential 2,201 to 2,700	1	4,574	-	(4,574)

**FINDING NO. 3**

For four of 40 permits reviewed, the City offset impact fees with credits which are memorialized on a spreadsheet. The City applies credits when permits are pulled in one of nine developments. The City does not keep an accounting in the spreadsheet or elsewhere of the use of credits including the available balance. Additionally, there is no reconciliation to the developer agreement to ascertain whether or not the credits are still valid and not expired.

**APPENDIX A  
PROGRESS OF INFRASTRUCTURE IMPROVEMENT PLAN PROJECTS**

<b>Project Description</b>	<b>IIP Fund</b>	<b>Estimated Cost<sup>1</sup></b>	<b>Expenditures as of 6/30/20<sup>2</sup></b>	<b>Estimated Cost to Complete<sup>3</sup></b>
Uptown Roadway Improvements	Street	\$ 2,582,090	\$ 1,437,433	\$ 675,107
Portal Lane to Ranger Road Connection	Street	743,400	44,344	636,550
Forest Road Connection <sup>4</sup>	Street	1,322,200	204,603	6,162,495
Neighborhood Street Connections	Street	4,212,800	-	1,166,423
Ranger Road / Brewer Road Intersection	Street	1,565,000	-	1,564,100
Travel Information System	Street	908,500	99,301	578,000
Police Station Expansion	Police	270,000	119,339	1,123,070
Shooting Range Improvements	Police	166,354	224,088	96,297
Motorcycles	Police	112,000	-	-
Handheld Radios	Police	75,000	-	10,700
In-Car Video System	Police	260,000	-	185,300
Four Acres	Parks	604,000	-	604,000
Posse Grounds Park Improvements	Parks	565,000	-	598,083
Improvements at Ranger Station	Parks	2,511,729	14,428	2,756,982
Toddler Pool	Parks	75,000	-	-
Bike Skills Park - Phase III	Parks	290,000	1,224	126,628
Dog Park Improvements	Parks	360,000	-	-

1) The source of the information is the City of Sedona 2019 Infrastructure Improvements Plan.

2) The source of the information is the City's financial records. The expenditures are from all funding sources.

3) The source of the information is the City's financial records. Projects without amounts have been abandoned by the City.

4) The estimated cost to complete increased due to revisions to the construction budget to reflect current cost data from the City's consultant and an increase in land acquisition costs to reflect the acquisition of one full parcel by the City.