



FISCAL YEAR 2023 BUDGET HIGHLIGHTS

INTRODUCTION BY **CHERIE R. WHITE, CPA, CGFM, DIRECTOR OF FINANCIAL SERVICES**

The fiscal year 2023 (FY23) budget includes significant increases in revenue projections based on increases in sales and bed tax revenues. FY22 sales and bed tax revenues have well exceeded any prior year, are 59% higher than the pre-COVID peak in 2019 and have resulted in \$6.7 million more revenue than was originally projected for FY22. The 59% increase reflects more than inflationary factors since inflation was only 16% for the same time period.

The city is starting off the fiscal year with an estimated \$103.7 million, which is close to the expenditure budget of \$105.7 million, so theoretically there could be zero revenue for the year, and the city would still be able to pay for the budget. With the projected \$38.2 million surplus, revenues could decrease 54% and the expenditures and required reserves would still be fully covered. As a point of comparison, from the peak prior to the Great Recession to the low during the Great Recession, revenues dropped about 15%. Also, it took four years to reach the lowest point, so the drop in revenues did not happen overnight.

FY 2023 Total Budget (All Funds)

Net Resources Available \$143.9M
Minus:
 Expenditures/Debt Refinancing \$105.7M
Equals:
 Total Surplus (unspent resources) \$38.2M

CITY FUNDS

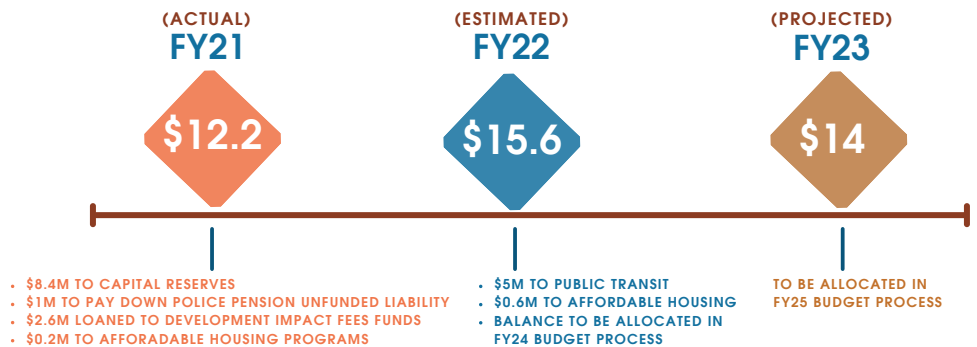
GENERAL FUND: primary operating fund for unrestricted funding sources

OTHER FUNDS WITH RESTRICTED FUNDING SOURCES:

- Streets Fund
- Affordable Housing Fund
- Grants, Donations & Restricted Funds
- Transportation Sales Tax Fund
- Capital Improvements Fund
- Development Impact Fees Funds
- Art in Public Places Fund
- Public Transit Enterprise Fund
- Wastewater Enterprise Fund
- IT Internal Service Fund

Surpluses (unspent resources) - General Fund only

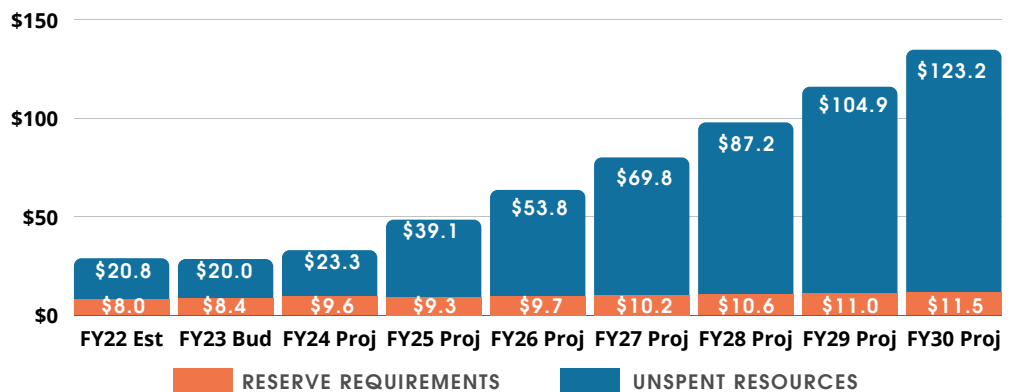
(IN MILLIONS OF DOLLARS)



General Fund - Fund Balances

Reserve Requirements & Unspent Resources*

(IN MILLIONS OF DOLLARS)



*Projections based on scenario of maintaining current status quo



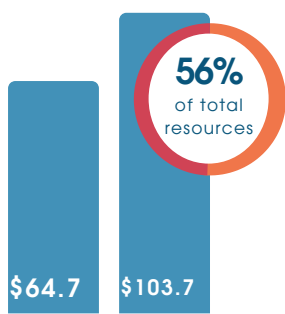
WHAT DOES IT COST TO RUN THE CITY AND HOW ARE THOSE COSTS PAID?

The FY23 budget is \$105.7 million, an increase over the FY22 budget of \$43.1 million or 69%. Even with this increase, the city is projected to have available funds of \$38.2 million more than what is budgeted for FY23, on top of fully funded reserves. This means the city could adopt a budget up to \$38.2 million higher and still be in balance. Out of conservatism and setting aside surpluses for large initiatives, Sedona has a long history of budgeting less than is statutorily allowed.

What financial resources are available for the City of Sedona? Answer: \$184.3 million

IN MILLIONS OF DOLLARS

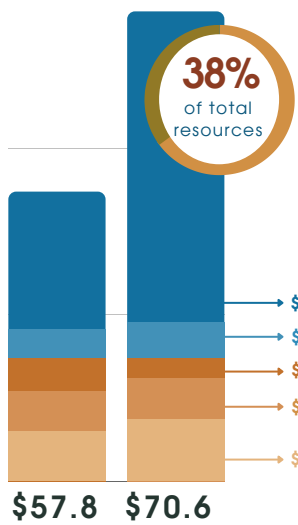
FY22 **FY23**
BUDGET BUDGET



Fund balance consists of the accumulated surpluses from prior years and reserve balances required by City policy.



Proceeds of new debt for the potential issuance of bonds for real estate/land acquisition.



The city receives revenue from local sales and bed taxes, service charges from customers, and other various sources. Key breakouts from the FY23 budget are below.

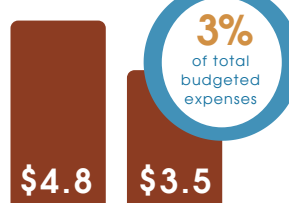
- \$46.8 - Sales and bed taxes
- \$5.3 - State shared revenues
- \$3.0 - Other intergovernmental
- \$6.2 - Wastewater charges for services
- \$9.3 - Other miscellaneous

\$57.8 **\$70.6**
FY22 BUDGET FY23 BUDGET
\$131.5 **\$184.3** TOTAL FINANCIAL RESOURCES AVAILABLE

What are the expenses for running the City of Sedona? Answer: \$105.7 million

IN MILLIONS OF DOLLARS

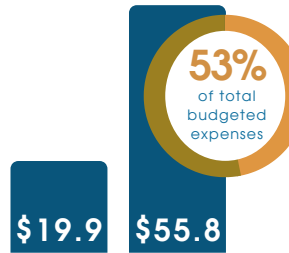
FY22 **FY23**
BUDGET BUDGET



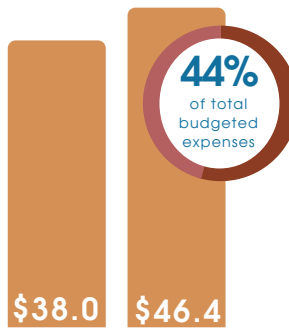
The city sets aside balances for contingencies in case of emergencies or potential projects not yet defined adequately to budget specific amounts.



Payoff old debt to refund bonds for saving on interest costs.



The capital improvement budget is used to acquire or construct major facilities including roads and wastewater infrastructure.



The operating budget is used to pay for city services and long-term debt payments. Additional detail is included on the following page.

\$71.7 **\$105.7** TOTAL EXPENDITURE LIMIT
FY22 BUDGET FY23 BUDGET

FINAL BUDGET ADOPTION AUGUST 9

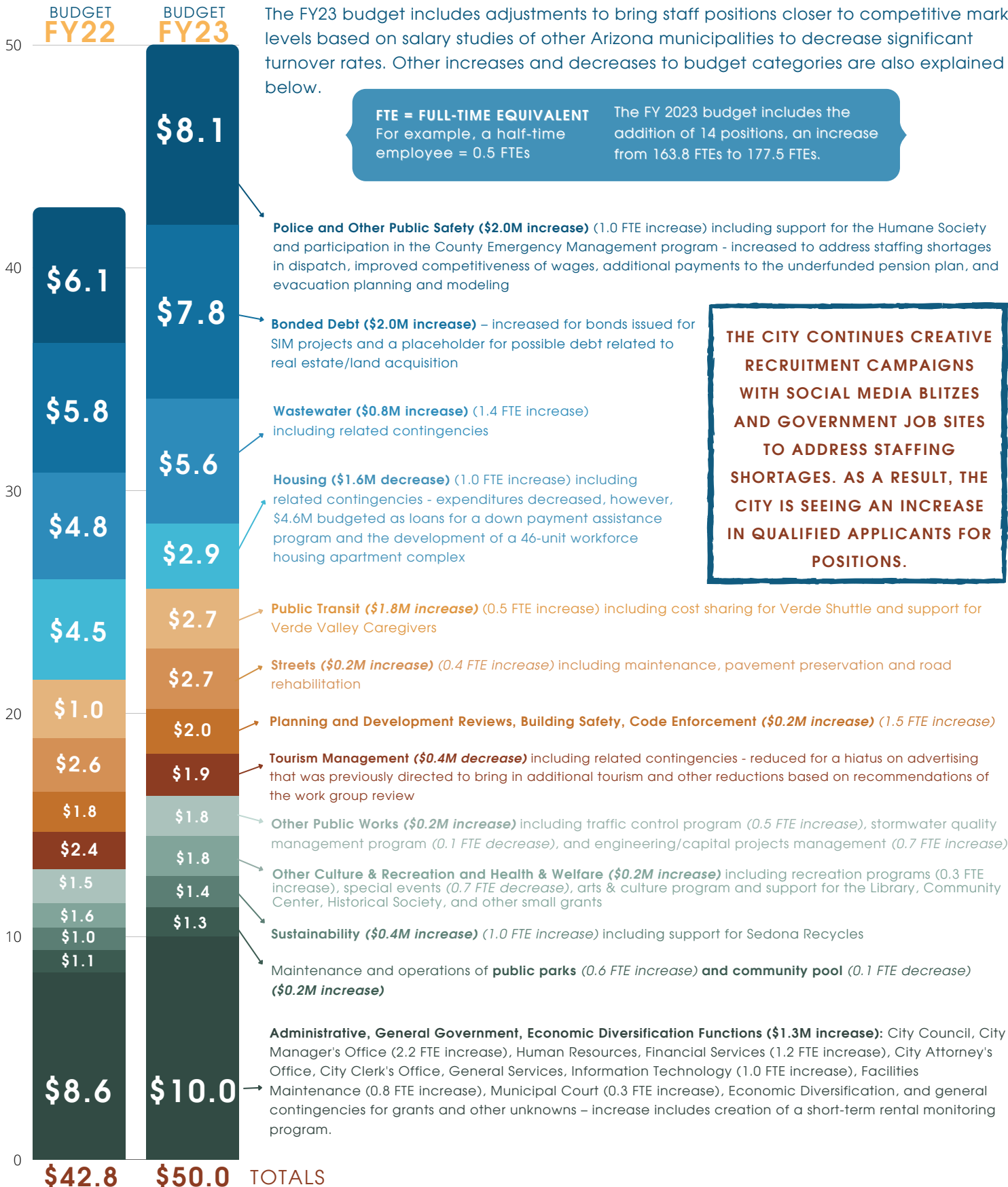
Sedona is required by law to adopt a balanced budget each year and cannot spend more than that total amount. The FY23 budget was adopted by the City Council on August 9, 2022. The city's financial statements are audited annually by an independent auditor. The most recent audit for FY21 received a clean opinion.

OPERATING & CONTINGENCY BUDGETS FOR FY23

The FY23 budget includes adjustments to bring staff positions closer to competitive market levels based on salary studies of other Arizona municipalities to decrease significant turnover rates. Other increases and decreases to budget categories are also explained below.

FTE = FULL-TIME EQUIVALENT
For example, a half-time employee = 0.5 FTEs

The FY 2023 budget includes the addition of 14 positions, an increase from 163.8 FTEs to 177.5 FTEs.



THE CITY CONTINUES CREATIVE RECRUITMENT CAMPAIGNS WITH SOCIAL MEDIA BLITZES AND GOVERNMENT JOB SITES TO ADDRESS STAFFING SHORTAGES. AS A RESULT, THE CITY IS SEEING AN INCREASE IN QUALIFIED APPLICANTS FOR POSITIONS.



HOW THE BUDGET ALIGNS WITH THE COMMUNITY PLAN

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The Sedona Community Plan was approved by the voters in 2014 and represents the citizens' vision and values for the community and proposes desired conditions for the future. City Council has included funding in the FY23 budget to pursue numerous Community Plan goals including the following:

PUBLIC TRANSIT SYSTEM

BUDGETED AMOUNT

FY22	FY23
\$3M	\$4M

- Includes full year of trailhead shuttle program and initiation of micro-transit pilot program

TRAFFIC IMPROVEMENTS

BUDGETED AMOUNT

FY22	FY23
\$9M	\$23M

- Includes Forest Rd. bypass, underpass at Oak Creek, and Uptown parking garage



ENVIRONMENTAL SUSTAINABILITY

BUDGETED AMOUNT

FY22	FY23
\$900K	\$1.2M

- Includes environmental impact assessment of OHVs and energy efficiency upgrades/monitoring technology



AFFORDABLE HOUSING PROGRAM

BUDGETED AMOUNT

FY22	FY23
\$4.4M	\$1.4M

- Includes Rent Local program
- \$4.6M budgeted as balance sheet loans for down payment assistance program & development of workforce housing apartments



STRATEGIC PROPERTY ACQUISITION

BUDGETED AMOUNT

FY22	FY23
\$1.9M	\$20M

- Acquisition for management of land development congruent with the Community Plan



An update to the Community Plan is in process. Go to www.PlanSedona.com for information on how to participate.