



FISCAL YEAR 2024 BUDGET HIGHLIGHTS

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

The Fiscal Year 2024 (FY24) public budget process began with the City Council retreat in January 2023. This year the city leveraged a Citizens Budget Work Group, which actively engaged volunteer participants to gather feedback on the budget. The input received from the Work Group was thoughtfully integrated into the budget process. On July 11th, the Council approved the tentative budget for FY24. The budget conservatively projects an 18% reduction in sales and bed tax revenues, but it also includes increases in other revenue sources for a net overall decrease of \$4 million or 6%. The projected available funds cover the FY24 budget amount of \$85.8 million and fully funded reserves with a projected surplus of \$15.8 million.

The city is starting off FY24 with an estimated \$98.1 million, which is greater than the adopted budget, so theoretically there could be zero revenue for the year, and the city would still be able to pay for this budget. With the projected \$15.8 million surplus, revenues could decrease another 20% 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.

FY24 TOTAL BUDGET (All Funds)

Net Resources Available \$101.6M
Minus:
 Expenditures/Debt Refinancing \$85.8M
Equals:
 Total Surplus (unspent resources) \$15.8M

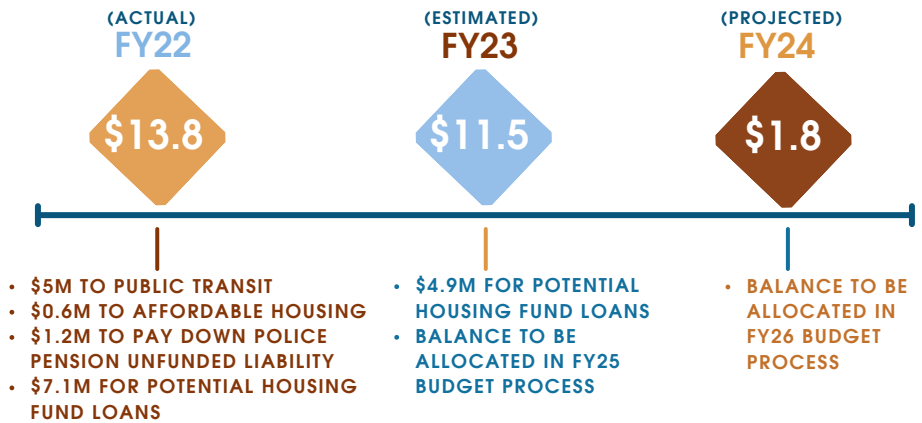
CITY FUNDS

GENERAL FUND: primary operating fund for unrestricted funding sources

OTHER FUNDS WITH RESTRICTED FUNDING SOURCES:

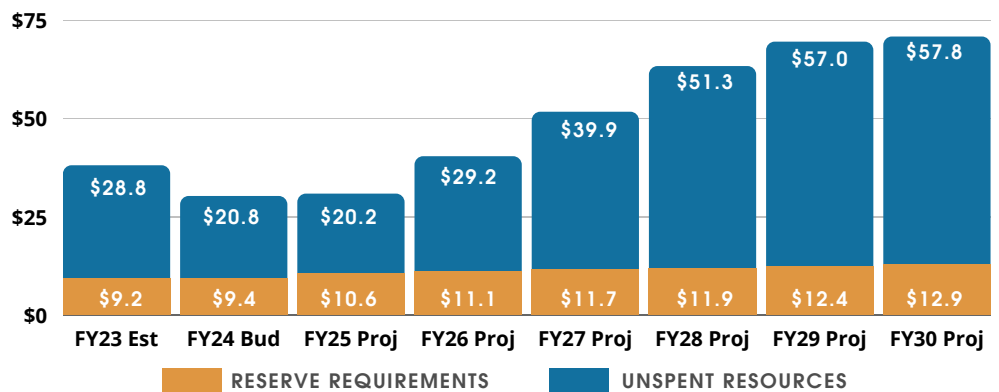
- Streets Fund
- Affordable Housing Fund
- Grants, Donations & Restricted Funds
- Transportation Sales Tax Fund
- Capital Improvements Fund
- Development Impact Fees Funds
- Art in Public Places Fund
- Public Transit Enterprise Fund
- Wastewater Enterprise Fund
- IT Internal Service Fund

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



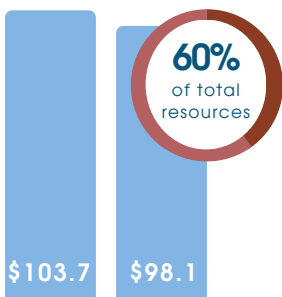
WHAT DOES IT COST TO RUN THE CITY AND HOW ARE THOSE COSTS PAID?

The FY24 budget is \$85.8 million, a decrease from the FY23 budget of \$105.7 million or 19%. Even with the projected revenue decrease and the significant initiatives included in the budget, projected available funds are \$15.8 million more than what is budgeted for FY24, on top of fully funded reserves. This means the city could adopt a budget up to \$15.8 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.

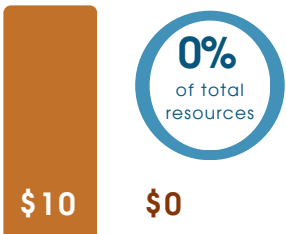
What financial resources are available for the City of Sedona? Answer: \$164.7 million

IN MILLIONS OF DOLLARS

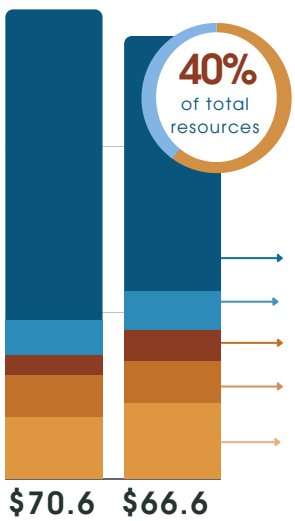
FY23 **FY24**
BUDGET BUDGET



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 FY24 budget are below.

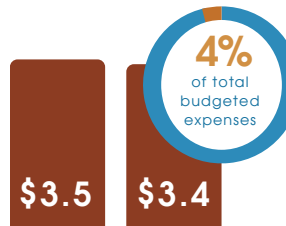
- \$38.4 - Sales and bed taxes
- \$5.8 - State shared revenues
- \$4.8 - Other intergovernmental
- \$6.3 - Wastewater charges for services
- \$11.3 - Other miscellaneous

\$70.6 **\$66.6**
FY23 BUDGET FY24 BUDGET
\$184.3 **\$164.7** TOTAL FINANCIAL RESOURCES AVAILABLE

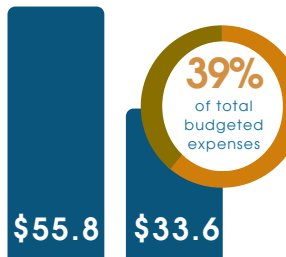
What are the expenses for running the City of Sedona? Answer: \$85.8 million

IN MILLIONS OF DOLLARS

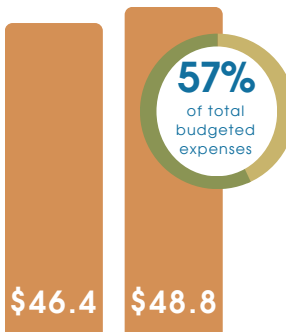
FY23 **FY24**
BUDGET BUDGET



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



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.

\$105.7 **\$85.8**
FY23 BUDGET FY24 BUDGET
\$105.7 **\$85.8** TOTAL EXPENDITURE LIMIT

FINAL BUDGET ADOPTION AUGUST 8

Sedona is required by law to adopt a balanced budget each year and cannot spend more than that total amount. The FY24 budget was adopted by the City Council on August 8, 2023. The city's financial statements are audited annually by an independent auditor. The most recent audit for FY22 received a clean opinion.

OPERATING & CONTINGENCY BUDGETS FOR FY24

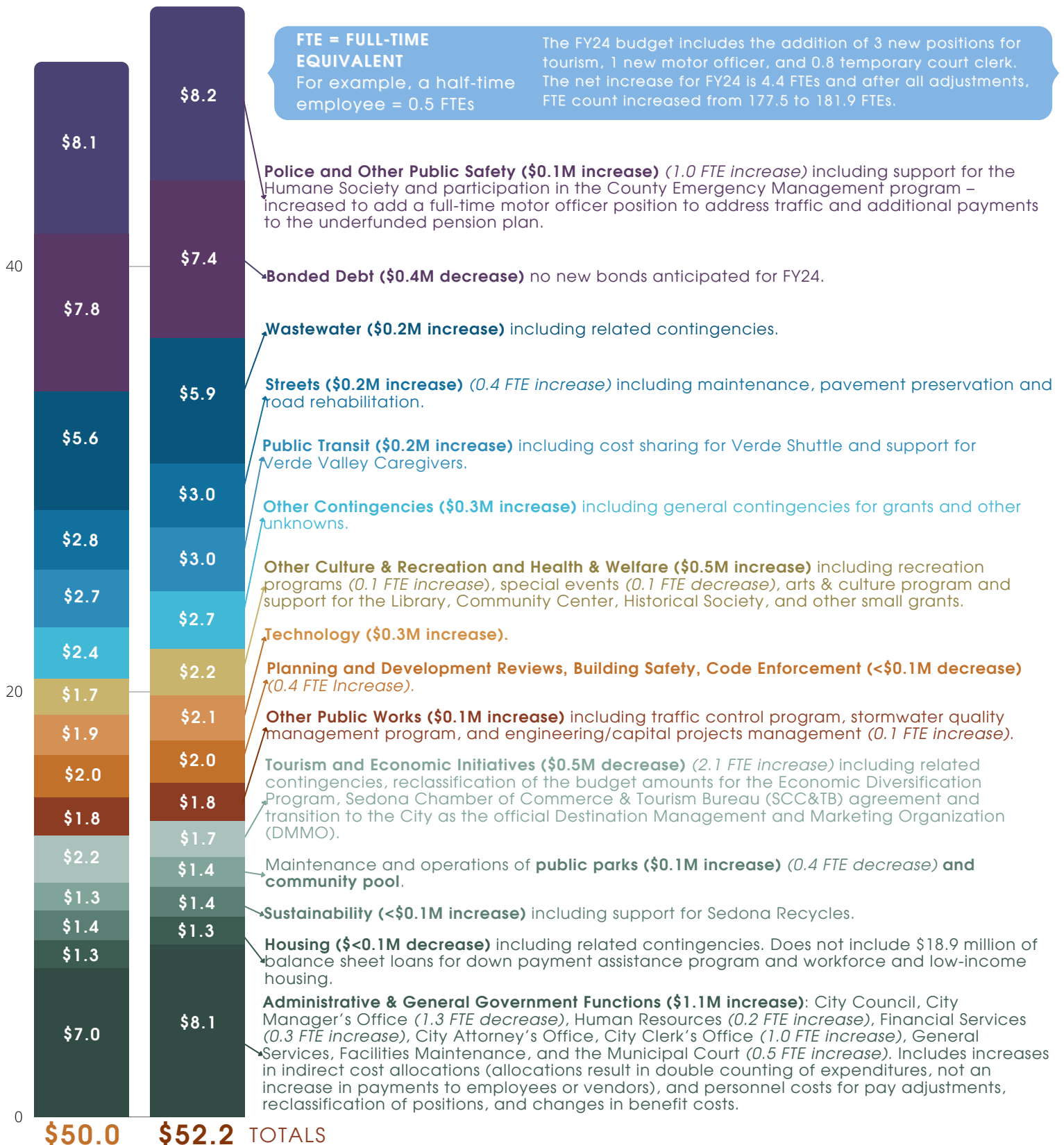
BUDGET
FY23

BUDGET
FY24

The FY24 operating budget includes adjustments to positions and year over year budget changes. Increases and decreases to budget categories and FTEs are explained in summary detail below.

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

The FY24 budget includes the addition of 3 new positions for tourism, 1 new motor officer, and 0.8 temporary court clerk. The net increase for FY24 is 4.4 FTEs and after all adjustments, FTE count increased from 177.5 to 181.9 FTEs.



Police and Other Public Safety (\$0.1M increase) (1.0 FTE increase) including support for the Humane Society and participation in the County Emergency Management program – increased to add a full-time motor officer position to address traffic and additional payments to the underfunded pension plan.

Bonded Debt (\$0.4M decrease) no new bonds anticipated for FY24.

Wastewater (\$0.2M increase) including related contingencies.

Streets (\$0.2M increase) (0.4 FTE increase) including maintenance, pavement preservation and road rehabilitation.

Public Transit (\$0.2M increase) including cost sharing for Verde Shuttle and support for Verde Valley Caregivers.

Other Contingencies (\$0.3M increase) including general contingencies for grants and other unknowns.

Other Culture & Recreation and Health & Welfare (\$0.5M increase) including recreation programs (0.1 FTE increase), special events (0.1 FTE decrease), arts & culture program and support for the Library, Community Center, Historical Society, and other small grants.

Technology (\$0.3M increase).

Planning and Development Reviews, Building Safety, Code Enforcement (<\$0.1M decrease) (0.4 FTE Increase).

Other Public Works (\$0.1M increase) including traffic control program, stormwater quality management program, and engineering/capital projects management (0.1 FTE increase).

Tourism and Economic Initiatives (\$0.5M decrease) (2.1 FTE increase) including related contingencies, reclassification of the budget amounts for the Economic Diversification Program, Sedona Chamber of Commerce & Tourism Bureau (SCC&TB) agreement and transition to the City as the official Destination Management and Marketing Organization (DMMO).

Maintenance and operations of **public parks (\$0.1M increase) (0.4 FTE decrease) and community pool.**

Sustainability (<\$0.1M increase) including support for Sedona Recycles.

Housing (<\$0.1M decrease) including related contingencies. Does not include \$18.9 million of balance sheet loans for down payment assistance program and workforce and low-income housing.

Administrative & General Government Functions (\$1.1M increase): City Council, City Manager's Office (1.3 FTE decrease), Human Resources (0.2 FTE increase), Financial Services (0.3 FTE increase), City Attorney's Office, City Clerk's Office (1.0 FTE increase), General Services, Facilities Maintenance, and the Municipal Court (0.5 FTE increase). Includes increases in indirect cost allocations (allocations result in double counting of expenditures, not an increase in payments to employees or vendors), and personnel costs for pay adjustments, reclassification of positions, and changes in benefit costs.



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 FY24 budget to pursue numerous Community Plan goals including the following:



ENVIRONMENTAL SUSTAINABILITY

BUDGETED AMOUNT
FY23 FY24



- Includes streetlight LED retrofits and decarbonization road mapping plan.



PUBLIC TRANSIT SYSTEM

BUDGETED AMOUNT
FY23 FY24



- Includes trailhead shuttle program, micro transit program, Sedona's share of the Verde Shuttle cost and \$1.8 million for mostly grant-funded transit improvements, including maintenance center design and additional micro-transit vehicles.



AFFORDABLE HOUSING PROGRAM

BUDGETED AMOUNT
FY23 FY24



- Includes strategic plan to address homelessness and placeholder for a workforce safe-place-to-park program.
- \$18.9M budgeted as balance sheet loans for down payment assistance program and workforce and low-income housing.



TRAFFIC IMPROVEMENTS

BUDGETED AMOUNT
FY23 FY24



- Includes \$13 million for Forest Road bypass and \$3.5 million for underpass at Oak Creek.



PARK AMENITIES

BUDGETED AMOUNT
FY23 FY24



- Includes \$2.3 million for construction of the Ranger Station Park.
- Includes \$1.5 million to pickleball courts at Posse Ground Park.



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