

City Talk Column for August 9, 2023
Financial Services Department
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The city's budget is balanced

The fiscal year (FY) 2024 public budget process started with the City Council retreat on January 17th-19th. Council identified numerous priorities from the Community Plan for further advancement during FY 2024. Those priorities have also been addressed in community surveys and outreach programs to obtain additional community input. Some of the initiatives included in the FY 2024 budget are projects related to the affordable housing program, projects related to the sustainability program, a public transit system, further development of the Ranger Station park and continuation of traffic improvement projects. On June 14th-15th, the City Council reviewed the proposed budget in detail, and on July 11th, Council approved the tentative budget. The final budget adoption was on August 8th.

The tentative budget conservatively projects a decrease in sales and bed tax revenues compared to last fiscal year in case of a recession. Other revenues are projected to increase, including an increase of \$1.6 million in one-time grant funding for transit operations and infrastructure, shared-use paths and street improvement projects to name a few. The net of the projected increases and decreases is an overall decrease of \$4 million or 6%, mostly attributed to the projected sales and bed tax loss.

The FY 2024 tentative budget is \$85.8 million, a decrease from the FY 2023 budget of \$19.9 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 FY 2024, on top of fully funded reserves.

The budget includes the following:

- Traffic improvement projects totaling \$20.2 million, including the Forest Road Connection to State Route 89A; the Pedestrian Crossing at Oak Creek; and a placeholder to begin construction of a parking garage in Uptown, should the current assessment underway determine a garage is needed. \$6.9 million of the \$20 million would be paid by grants and development fees.
- Wastewater operations and infrastructure totaling \$15.5 million, including upgrades to lift stations and the treatment process. Sufficient funds are available to delay a rate increase for the sixth year in a row.
- Public transit operations and infrastructure totaling \$4.7 million, including continued trailhead shuttle operations; start of a micro-transit service and Sedona's portion of the Verde Shuttle system operated by the City of Cottonwood. \$1.5 million of this \$4.7 million is to be paid by grants and passenger fares.
- Police operations and infrastructure totaling \$10.5 million, including a one-time \$1.2 million payment toward the underfunded police pension plan. \$100,000 of this \$10.5 million is to be paid by grants, donations and other outside funding sources.
- Streets maintenance costs totaling \$3.5 million. \$1 million is to be paid by state gas tax funding.
- Tourism and economic initiatives totaling \$1.1 million, plus an available contingency of approximately \$600,000 as the program is developed.
- Service provider agreements totaling \$1.7 million for the Library, Humane Society, Community Center, Verde Valley Caregivers, Historical Society and Sedona Recycles.

- Parks and recreation operations, maintenance and infrastructure totaling \$5.6 million, including construction of the Ranger Station Park and pickleball courts at Posse Grounds Park. \$2.7 million of the \$5.6 million is to be paid by donations, development fees and other outside funding sources.
- Sustainability initiatives totaling \$1.4 million, including solar lighting and LED retrofit projects.
- Housing and homelessness costs totaling \$1.4 million, plus \$18.9 million set aside in reserves for housing project loans. Approximately \$500,000 of the \$1.4 million is to be paid by grants and other outside funding sources.
- Debt service payments totaling \$7.4 million. Bond covenants require pledged revenues to be at least 1.5 times the debt payments. Estimated pledged revenues are well above that, at 5.4 times.

The city is starting off the fiscal year with an estimated \$98.1 million, which is greater than the tentative budget, 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 \$14.3 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. During the budget work sessions, long-range forecasts were reviewed and possible actions were discussed. The city's financial position is monitored daily, and the city has proactively addressed revenue reductions in past recessions. The city is in a strong position to proactively manage its finances and address the many priorities of the community.

Additional information on the city's FY 2024 tentative budget can be found at www.sedonaaz.gov/finance.