
February 2024
Moment of Art
Patrick Schweiss – Sedona Film Festival
Executive Director, Sedona International Film Festival
Mary D. Fisher Theatre and Alice Gill-Sheldon Theatre

Patrick Schweiss is the executive director of the Sedona International Film Festival and Mary D. Fisher Theatre. Twenty years ago he took the helm at the festival and has overseen its growth from a 3-day festival to a 9-day celebration of independent film. In 2012, he initiated and oversaw the festival organization as it built its own arthouse theatre venue: The Mary D. Fisher Theatre, where it presents year-round independent films, theatrical and ballet productions on screen from around the world, live simulcasts and live theatrical events, as well as other arts and cultural events. In June 2022, the festival opened its newest addition: the Alice Gill-Sheldon Theatre. Now it has two theatre venues that operate daily all year long!

Through the theatres, he has been able to bring cultural events to Sedona that may not otherwise have been seen by our residents and tourists, including the Met Live Opera, Bolshoi and Royal Ballet productions, National Theatre of London, Broadway on Screen productions, Exhibition on Screen and Great Art on Screen exhibits, The Globe and Royal Shakespeare Company productions, live simulcasts and events as well as live theatrical and musical concerts; not to mention the main offerings at the theatre: the best independent films from around the world. In addition, he has spearheaded collaborations with several other non-profit organizations in Sedona to co-produce and present events at the theatre.

Please welcome Patrick Schweiss to talk more about the Sedona Film Festival and enjoy the trailer.



Overview of Financial Status and Presentation of Audit Results

**City Council Presentation
February 13, 2024**

ANNUAL COMPREHENSIVE FINANCIAL REPORT 2023
for fiscal year ending June 30, 2023



Agenda



FY 2023 Financial Results



Expenditure Limitation Summary



Audit Results

2023

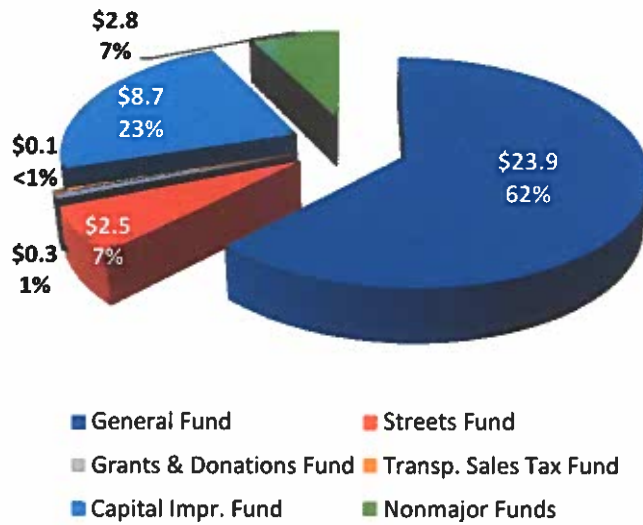
ANNUAL COMPREHENSIVE FINANCIAL REPORT

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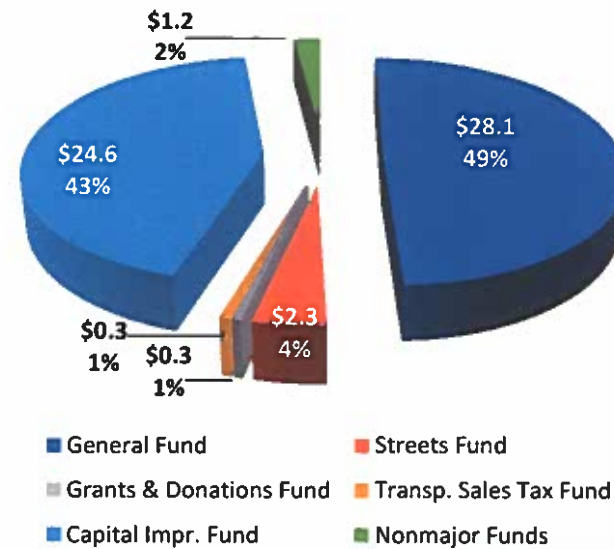


Governmental Expenditures by Fund ACFR pg. 37

FY 2022 - \$38.4 million



FY 2023 - \$56.8 million

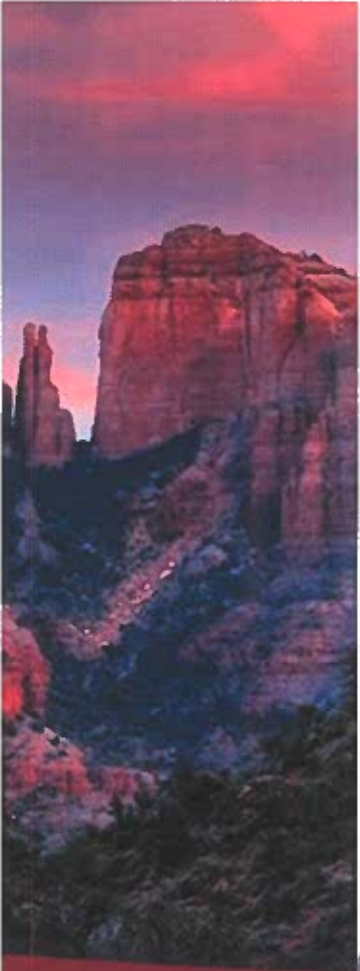


2023

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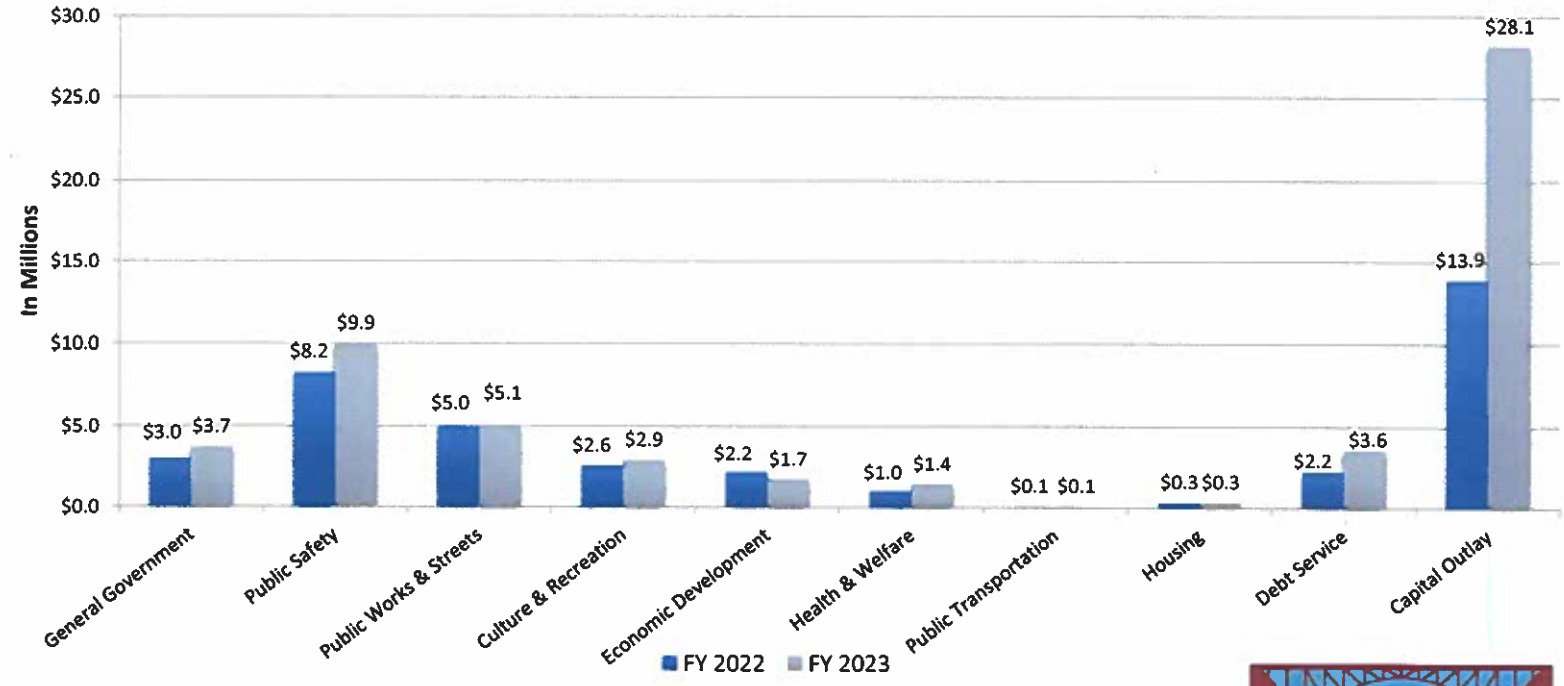
for fiscal year ending June 30, 2023





Governmental Expenditures by Function

ACFR pg. 37



2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT
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Governmental Expenditures by Function

ACFR pg. 37

Governmental Funds expenditures increased \$18.4M or 48%

- General Government increased \$0.7M (24%) primarily due to pay adjustments as a result of a salary study and merit increases, increases to health insurance costs, and the addition of seven positions to address staffing gaps in expanded City service levels, to improve succession planning, and to accelerate the City's sustainability program
- Public safety expenses increased \$1.7M (21%) due partly to a one-time additional contribution to PSPRS as well as pay adjustments as a result of the salary study and merit increases and increases in health insurance costs
- Culture and recreation expenses increased \$0.3M (12%) due to pay adjustments as a result of a salary study and merit increases, increases in health insurance costs, the resumption of special events that were canceled during the prior year and added special events, and the addition of a support agreement for the Sedona Historical Society
- Economic development decreased \$0.5M (-22%) largely due to reductions in the Sedona Chamber of Commerce & Tourism Bureau contract to realign expectations of the Tourism Bureau activities to be funded by the City and vacancy savings
- Health and welfare expenses increased \$0.4M (44%) due pay adjustments as part of salary study and merit increases, increases in health insurance costs, one-time consultant costs for an environmental impact study on off-highway vehicles use, an added support agreement for the Red Rock Trail Fund, and continued expansion of the sustainability program to accelerate the implementation of the Municipal Sustainability Plan
- Debt service expenditures increased \$1.3M (64%) due to a full-year of interest payments for the Series 2022 bonds and the addition of payments for the Second Series 2022 bonds
- Capital outlay costs increased by \$14.3M (103%) due to the purchase of the former Cultural Park property

2023

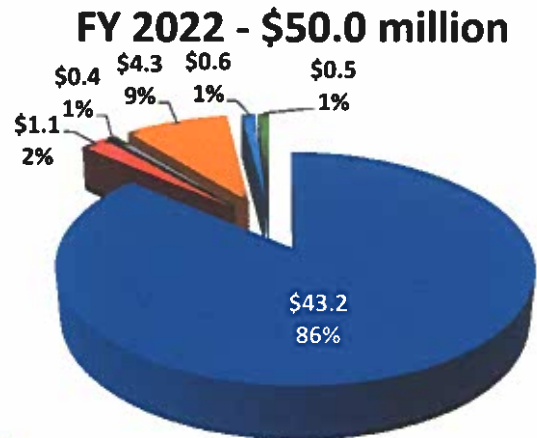
ANNUAL COMPREHENSIVE FINANCIAL REPORT

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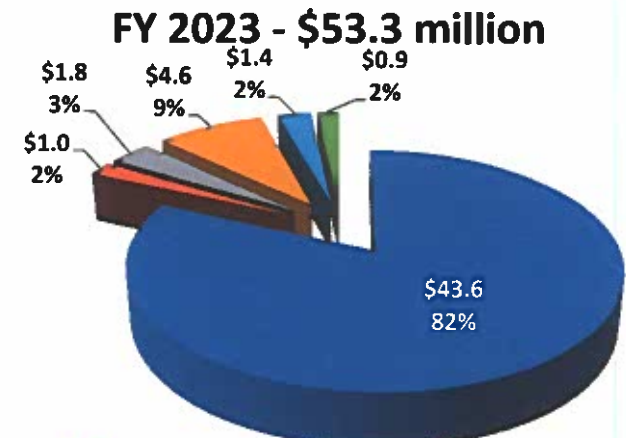


Governmental Revenues by Fund

ACFR pg. 37



- General Fund
- Streets Fund
- Grants & Donations Fund
- Transp. Sales Tax Fund
- Capital Impr. Fund
- Nonmajor Funds



- General Fund
- Streets Fund
- Grants & Donations Fund
- Transp. Sales Tax Fund
- Capital Impr. Fund
- Nonmajor Funds



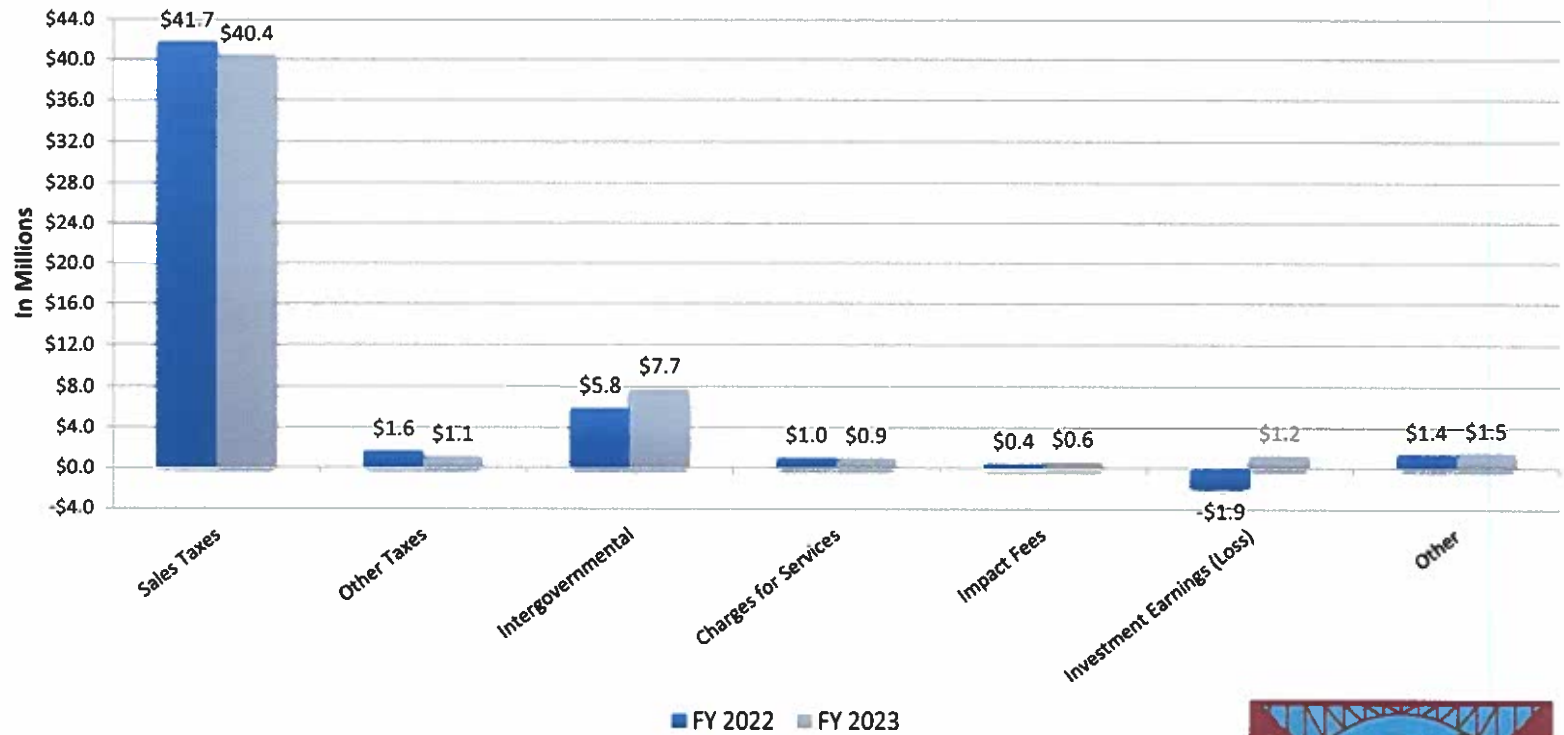
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Governmental Revenues by Source

ACFR pg. 37



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Governmental Revenues by Source

ACFR pg. 37

Governmental Funds revenues increased \$3.3M or 7%

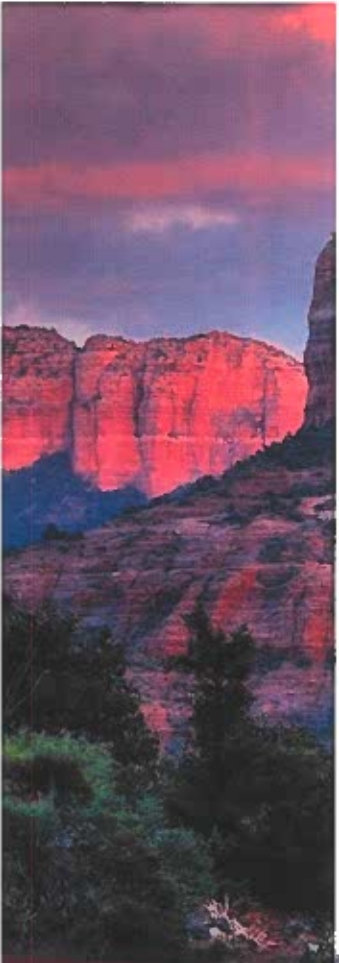
- Sales Taxes decreased \$1.3M (3%) due to Europe reopening and possibly drawing away some tourism, significant inflation possibly having some impact on how much travel people are doing, and talks of possible coming recession possibly having an impact on tourism
- Intergovernmental revenues increased \$1.8M (31%) largely due to the recognition of ARPA revenues spent during the year
- Investment earnings increased \$3.1M (165%) due to significant unrealized losses in the fair value of investments recognized in the prior year

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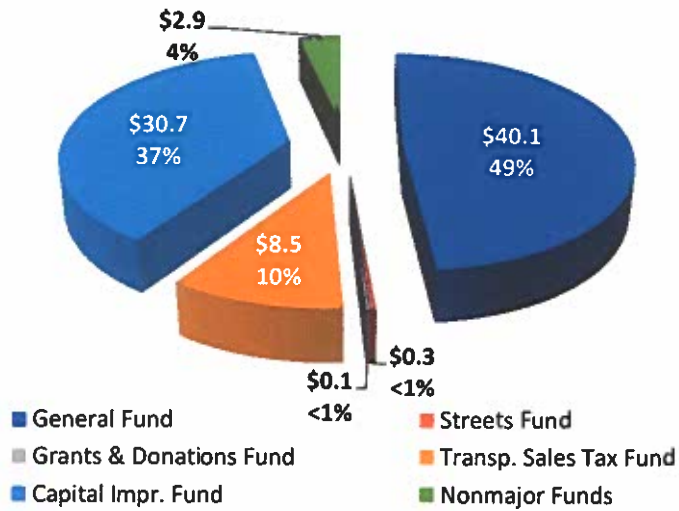




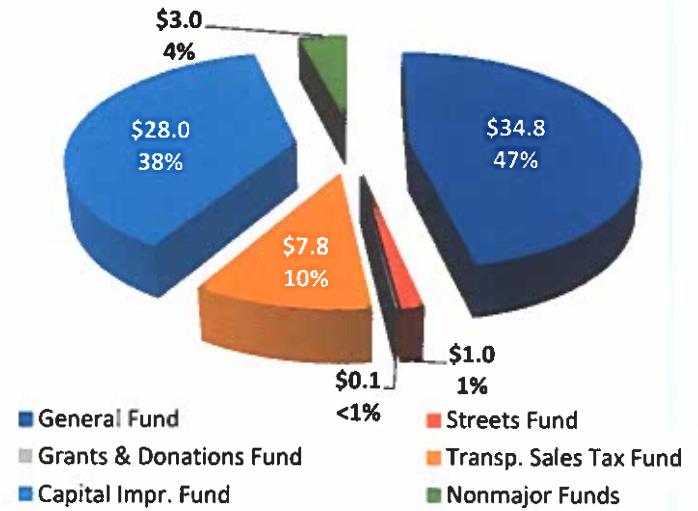
Governmental Fund Balances

ACFR pg. 35 & 37

FY 2022 - \$82.6 million



FY 2023 - \$74.7 million



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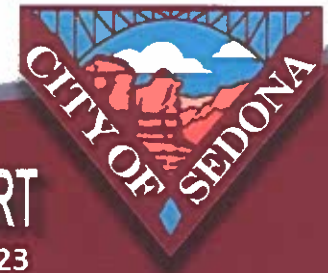


Governmental Fund Balances

ACFR pg. 35 & 37

Governmental fund balances decreased \$7.9M or 10%

- The General Fund balance decrease of \$5.3M (-13%) is largely due to allocation of surplus balances to the various priorities and initiatives, including a one-time transfer of \$5M to the Public Transit Fund to contribute toward anticipated future system implementation costs
- The Streets Fund balance increased by \$0.8M (252%) primarily due to the establishment of a fund balance target at 30% of the total adopted budget operating expenditures of the fund
- The Grants & Donations Fund balance increased \$16k (14%) due a distribution of Smart & Safe AZ fund monies and a transfer made during the year to close out the ST&PS program as it was not adequately funded with donation revenues
- The Transportation Sales Tax Fund decreased \$0.7M (-8%) due to an increase in transfers to the Public Transit Fund as a result of increased operating costs with a full year of trailhead shuttle operations
- The Capital Improvements Fund balance decreased \$2.7M (-9%) due to the expenditure of bond proceeds for transportation projects, as well as expenditure of balances assigned for general capital improvements



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Governmental Fund Balance Reserves

ACFR pg. 35, 53-54, 59, & 67

Nonspendable fund balances \$2.1M

- Long-term loans receivable \$2.0M for Sunset Lofts and down-payment assistance program
- Prepaid items and deposits \$0.1M

Restricted fund balances \$22.8M

- Balance of bond proceeds \$19.0M
- Parks development impact fees \$2.8M
- Other \$0.4M

Committed fund balances \$10.8M

- Transportation sales tax \$7.8M
- PSPRS unfunded liability \$1.2M
- Equipment replacement \$1.6M
- Other \$0.2M

Assigned fund balances \$26.3M

- Capital reserves and General Fund surplus allocated to capital \$10.4M
- Affordable housing and General Fund surplus allocated to affordable housing \$14.6M
- Streets maintenance and rehab \$1.0M
- Other \$0.3M

Unassigned fund balances \$12.8M

- General Fund \$13.5M - \$5.8M represents surplus to be allocated during FY 2025 budget process
- Other funds \$(0.7M)

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General Fund Transfers to Other Funds

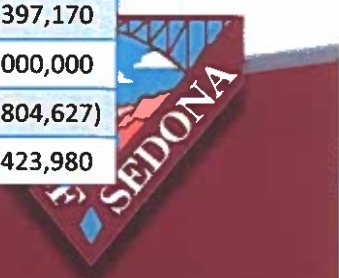
ACFR pg. 37 & 62-63

	Subsidies/Support
Ongoing	
Streets Fund subsidy	\$ 1,281,921
Wastewater Fund subsidy	3,200,000
Affordable Housing support – Intrafund Transfer	500,000
Capital Improvements Fund support	2,500,000
Verde Shuttle costs in Transit Fund	247,756
Paid parking program costs in IT Fund	34,210
One-Time	
Streets Fund operating and equipment replacement reserves	755,280
Additional transfer approved by Council for purchase of Shelby Dr property	554,627
Affordable Housing support – portion of FY21 and FY22 surpluses – Intrafund Transfer	750,000
Close out misc accounts in Grants & Donations Fund	7,643
Cover projected shortage in Capital Improvements Fund – portion of FY21 surplus	8,397,170
Set-aside for future transit implementation – portion of FY22 surplus	5,000,000
Less Intrafund Transfers	(1,804,627)
Totals	\$21,423,980

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General Fund Budget Summary

ACFR pg. 39

Sales tax revenues under budget by \$4.1M

- Slowdown in tourism likely due to the reopening of Europe, significant inflation possibly impacting the amount of travel, talk of a coming recession possibly impacting the amount of travel, and the City's hold placed on destination marketing due to the oversubscription of tourism since the COVID-19 pandemic

Bed tax revenues over budget by \$1.6M

- Same as above

In-lieu taxes under budget by \$0.5M

- Late receipt of these monies after the period of availability defined as 60 days after year-end

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General Fund Budget Summary

ACFR pg. 39

Unspent contingencies \$0.6M

City Manager's Office expenditures under budget by \$0.8M

- Delays in filling newly added positions
- Delays in implementation of expanded public relations support
- Delays in implementation of expanded programs for sustainability
- Delays in implementation of a proposed housing program for incentivizing long-term rentals over short-term rentals

Community Development expenditures under budget by \$0.4M

- Timing of costs related to the required 10-year update to the City's Community Plan
- Employee turnover and related vacancy savings
- Reduced need to rely on outsourced plan reviews

Police expenditures under budget by \$0.6M

- Employee turnover and related vacancy savings

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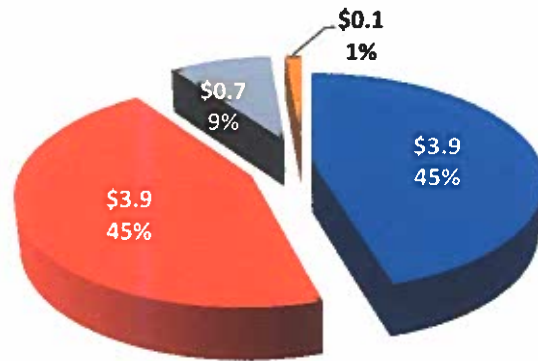
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Wastewater Fund Expenses by Type

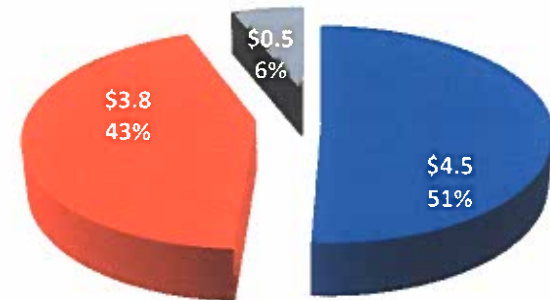
ACFR pg. 44

FY 2022 - \$8.6 million



■ Cost of Services ■ Depreciation ■ Interest ■ Bond Issuance

FY 2023 - \$8.7 million



■ Cost of Services ■ Depreciation ■ Interest

2023

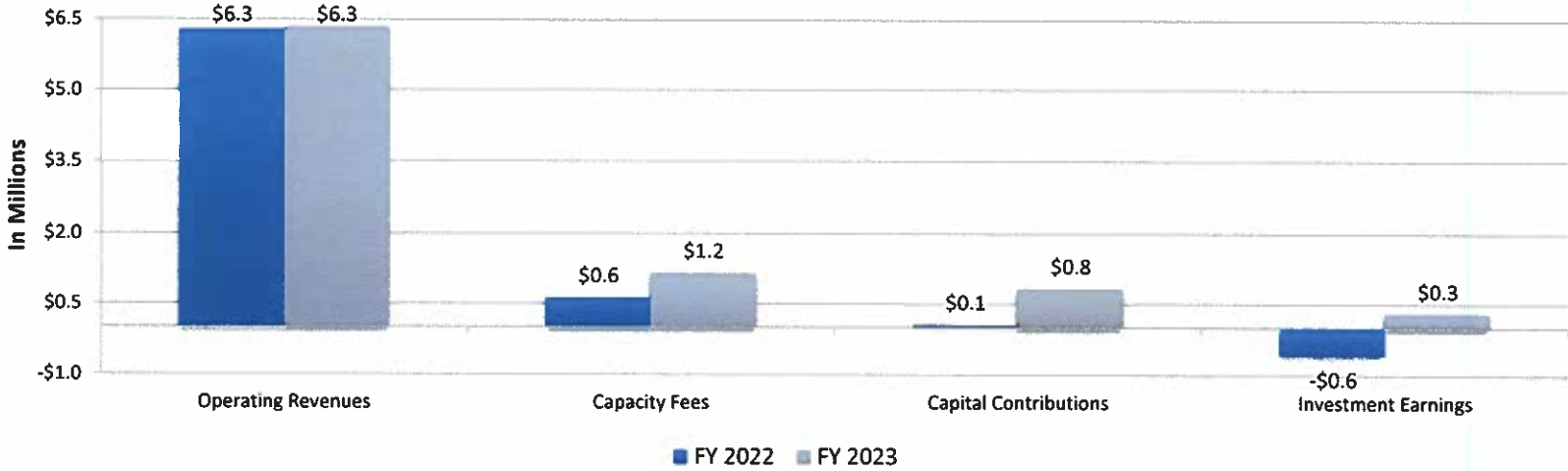
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Wastewater Fund Revenues by Source

ACFR pg. 44



Wastewater Fund revenues increased \$2.2M or 35%.

- Capacity fee revenues increased \$0.5M (85%) due to an increase fees received for a large commercial construction project, as well as a general increase in construction activities requiring sewer connections.
- Developer contributed sewer lines increased \$0.8M (1,490%) and can vary significant from year to year.
- Other revenues increased \$0.8M (155%) due to significant unrealized losses in the fair value of investments recognized in the prior year.



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Wastewater Fund Net Position

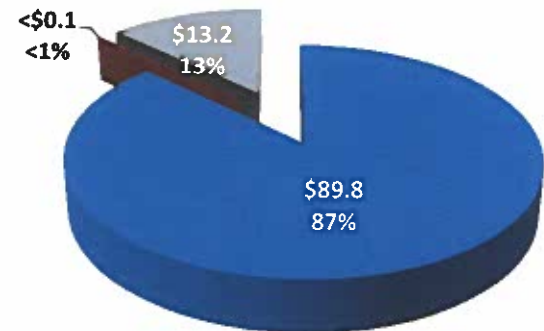
ACFR pg. 43 & 44

FY 2022 - \$98.6 million



- Net Invest. In Capital Assets
- Restricted
- Unrestricted

FY 2023 - \$103 million



- Net Invest. In Capital Assets
- Restricted
- Unrestricted

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Wastewater Fund Budget Summary

ACFR pg. 98

Capacity Fees under budget by \$0.5M

- One-time capacity fees were not received during the year as originally anticipated

Salaries and employee benefits under budget by \$0.3M

- Staff turnover and delays in filling new positions.

Supplies & Other expenditures under budget by \$0.4M

- Delays in maintenance and equipment replacement costs as well as unused placeholders for any urgent maintenance needs

Capital Outlay expenditures under budget by \$4.8M

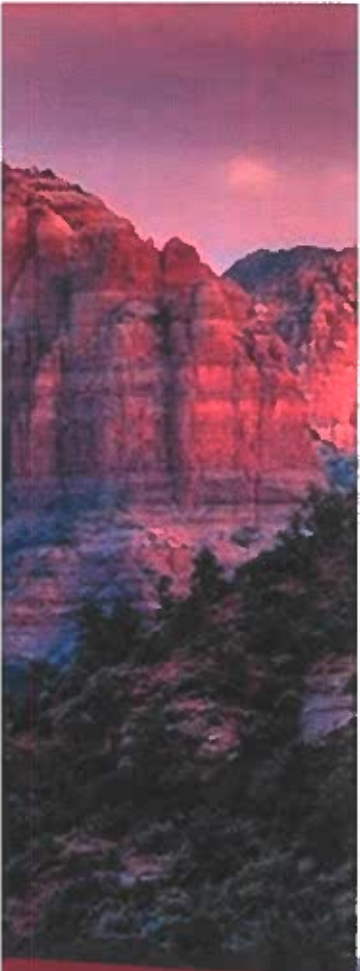
- Delays in CIP projects such as the major lift station upgrades that were impacted by supply chain issues and substantially higher inflationary factors that anticipated.

2023

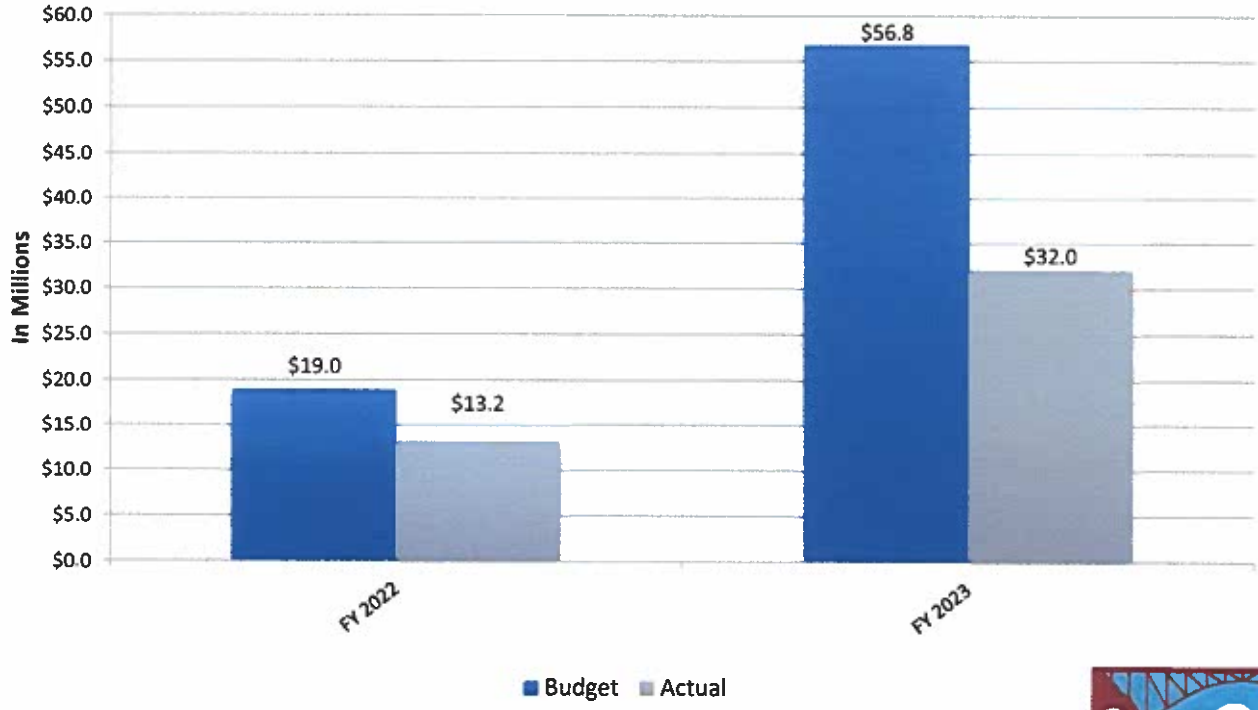
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Total CIP Expenditures Budget Comparison



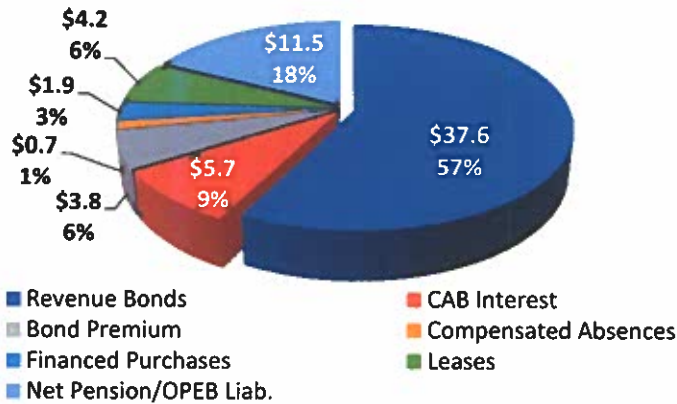
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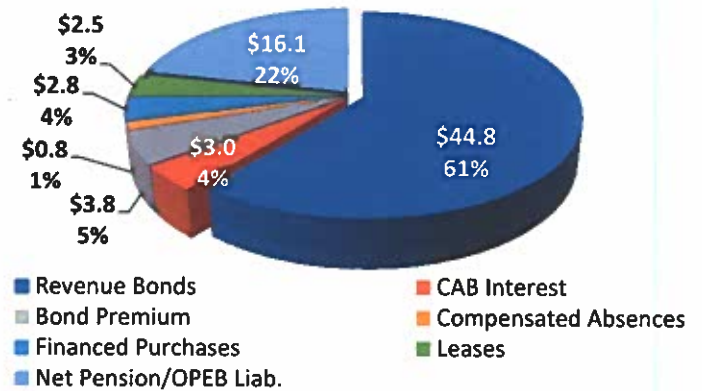
Long-Term Obligations

ACFR pg. 27-28 & 63-66

FY 2022 - \$65.4 million



FY 2023 - \$73.7 million



Long-term obligations increased \$8.3M or 13%.

- Revenue bonds increased \$7.2M (19%) due to the issuance of the Second Series 2022 Bonds.
- Interest on capital appreciation bonds decreased \$2.7M (-48%) due to scheduled bond interest payments made during the year.
- Financed purchases increased \$0.8M (44%) primarily due to the inception of the financed purchases for the micro-transit vehicles and vactor truck.
- Leases decreased \$1.7M (-40%) due to the conclusion of the lease for the trailhead shuttle parking lot.
- Net pension/OPEB liability increased \$4.6M (40%) due to an increase of \$2.7M (34%) in the ASRS unfunded liability and an increase of \$1.9M (52%) in the PSPRS unfunded liability.



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Pledged Revenue Coverage

ACFR pg. 65 & 114

Excise tax revenues pledged to pay revenue bonds

- Sales tax, franchise tax, vehicle license tax, unrestricted fines and forfeitures and permits

Minimum required coverage = 1.5 times

FY 2023 revenue coverage = 5.3 times

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Expenditure Limitation Summary

AELR pg. 2

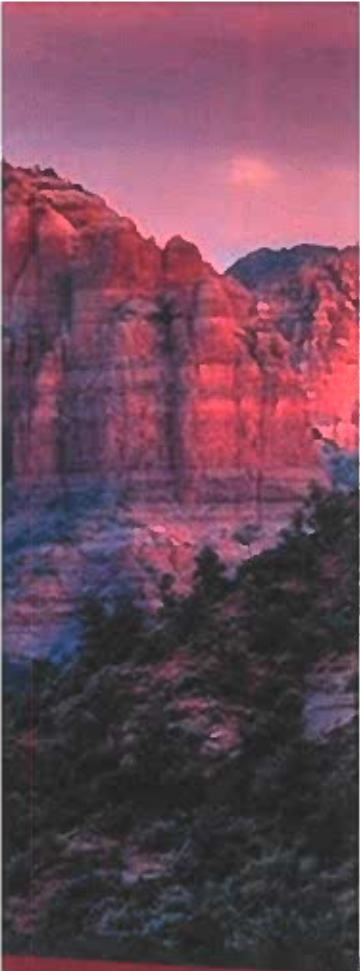
	FY 2023
Expenditure limit	\$105,745,040
Expenditures subject to limit	71,833,762
Amount under limit	\$ 33,911,278

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Audit Results

2023

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Questions?

2023 ANNUAL COMPREHENSIVE FINANCIAL REPORT
for fiscal year ending June 30, 2023





City of Sedona Audit for the Fiscal Year Ended June 30, 2023

Jean Marie Dietrich, CPA
Signing Director

February 13, 2023

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Investment advisory services are offered through CliftonLarsonAllen Wealth
Advisors, LLC, an SEC-registered investment advisor

What is an Audit?

Examine and verify management's assertions...provide an opinion

Includes findings & recommendations

Auditors evaluate risk

Auditors work for and should communicate results to the governing board (City Council)



The Reporting Package

1. Communication to Governance

2. Annual Comprehensive Financial Report (ACFR) – Includes audit opinion

3. Single Audit Report (including the *Government Auditing Standards* Report and the Report on Major Federal Programs and the Schedule of Federal Expenditures)

4. HURF Report

5. Expenditure Limitation Report



Governance Communication

Overview of audit

- Accounting Policies (GASB 96)
- Accounting Estimates
- No Material Audit Adjustments
- No Unusual Transactions
- No Difficulties or Disagreements



Annual Comprehensive Financial Report (ACFR)

Components of the ACFR

- Basic financial statement (audit opinion)
- Combining and individual fund financial statements and schedules (“in-relation-to” opinion)
- Required supplementary information, statistics section, and introductory section (Disclaimer)

We rendered an Unmodified (“Clean”) Opinion on the Financial Statements



Single Audit Results at a Glance

Government Auditing Standards

- No material weaknesses or significant deficiencies in internal control

Uniform Guidance

- Unmodified (“clean” opinion)
- No matters of noncompliance
- One significant deficiency in internal controls over compliance

Major Programs Tested

- Corona Virus Relief Fund – Assistance Listing No. 20.027
 - Total Federal Expenditures: \$1,609,057

Total Coverage

- 94% of total federal awards tested



Highway User Revenue Fund Compliance

- Examination report to determine compliance as to whether expenditures from Highway User Revenue Fund monies were spent pursuant to Arizona Revised Statutes Title 28, Chapter 18, Article 2.
- Audit approach
 - Selected a sample of accounts payable and payroll disbursements to determine compliance with A.R.S.
- Findings
 - None



Annual Expenditure Limitation Report

- Voter Approved Alternative Expenditure Limitation: \$105,745,040
- Amount Subject to Limitation: \$71,833,762
- City was well within expenditure limitation





Thank You!

Jean Marie Dietrich, CPA, Signing Director
Jean.Dietrich@claconnect.com



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REPORT

Office of the Sedona City Attorney

TO: Mayor and City Council

CC: Karen Osburn, City Manager

FROM: Kurt Christianson, City Attorney

DATE: February 13, 2024

SUBJECT: Arizona Legislative Update

On Monday, January 8, 2024, the Second Regular Session of the Fifty-Sixth Legislature of Arizona commenced. As of February 12, 2024, 975 House Bills and 782 Senate Bills have been introduced for a total of 1,757.

Very busy week because Friday 2/16 is the last day to hear SBs in Senate Committees and HBs in House Committees.

Other Deadlines:

Friday 3/22: Last Day to Hear SBs in House Committees and HBs in Senate Committees

Friday 4/12: Last Day for Conference Committees

Tuesday 4/16: 100th Day of Session

LEAGUE RESOLUTIONS:

HB2489/SB1205 - Short-term rentals; ordinance; limits. SUPPORT

Sponsor

Rep. Selina Bliss (R); Sen. Kavanagh (R)

Legislative History

Assigned to Regulatory Affairs Committee. Placed on a Committee hearing date, but later removed by Chairman.

Summary

Allows cities to limit the number of STRs within the City by adopting an ordinance:

- (a) Setting a maximum number of STRs
- (b) Requiring specific distances between STRs
- (c) Setting a maximum number of STRs within a specified area

Properties with STR permits/licenses in good standing in existence at the time of adoption of the ordinance are exempt.

HB2132 - Municipal land sales; public notice SUPPORT

Sponsor

Rep. Gail Griffin (R)

Legislative History

Passed House 55-0. Awaiting action in Senate.

Summary

Places restrictions on a town or city selling property worth more than \$1,500,000 and less than \$15,000,000, including mandating at least one public hearing after publishing an invitation for bids at least 30 days before scheduled approval of a purchase agreement.

HB2162 - Municipal general plan; adoption SUPPORT

Sponsor

Rep. Selina Bliss (R)

Legislative History

Passed House Government Committee (9-0). 2/12 Floor amendment passed removing the proposed 180 day election requirement from current 120 days.

Summary

Permits a governing body of a municipality that has more than 2,500 but less than 10,000 people whose population rate did not exceed an average of two percent for the ten-year period prior to the most recent United States decennial census and whose previous general plan was ratified by voters to submit general plan to voters for ratification at the next regularly scheduled election or special election.

BILLS OF INTEREST:

Removed HB 2156(STR online marketplace), 2488(STR percentage cap), 2219(STR spacing limit), 2220(STR Population cap), 2236(repeal SB1487), SCR1103, HCR2014, HCR2033

HB2382 - TPT; sourcing; validation SUPPORT

Sponsor

Rep. Neal Carter (R)

Legislative History

Assigned to the House Ways & Means Committee DP (8-1); awaiting COW

Summary

Provides that retail sales of tangible personal property be sourced to the seller's business location if the seller receives the order at a business location in Arizona (A.R.S. § 42-5040). Requires the Department of Revenue (DOR) to establish and maintain a taxpayer assistance team (Team) to ensure taxpayers are sourcing the transaction to the correct jurisdiction, levying the correct transaction privilege tax (TPT) rate.

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**Removed HB2125(annexation require 60%); 2120(law enforcement defunding); 2261(minimum parking requirements); 2303/2701 middle housing; 2593(public records); HCR2023/SCR1006(property tax refund);**

## **HB2275 - Settlement agreements; report; approval OPPOSE**

### **Sponsor**

Rep. David Marshall, Sr. (R)

### **Legislative History**

Assigned to House Government Committee; DPA (5-4) **with one amendment**; waiting House COW

### **Summary**

Requires a county, city or town to submit a "settlement agreement report" (defined) to the legislature and Attorney General describing the settlement terms when the agreement costs more than \$500,000 to implement at least 90 days before entering into the agreement. Requires a city or town to submit a "settlement agreement" (define) larger than \$1,000,000 to the Governor for approval before the agreement is considered legally binding, and, if the Governor approves the agreement, the city or town must submit the agreement to the Joint Legislative Audit Committee, which may recommend that the agreement be finalized or amended. Requires a city or town to notify the General Counsel of the Senate and House of Representatives upon initiation of any settlement agreement negotiations and update the General Counsels of developments in the negotiation process. Require the Attorney General to submit a settlement agreement report to the legislature describing the terms of the settlement **at least 90 30** days before entering into the agreement.

## **HB2570/SB1112 - Planning; home design; restrictions; prohibition OPPOSE**

### **Sponsor**

Rep. Leo Biasiucci (R); Sen. Sonny Borrelli (R)

### **Legislative History**

Assigned to Senate Finance and Commerce Committee DP(5-2); Assigned to House Government Committee; DP(8-1).

### **Summary**

Prohibits a municipality from interfering with a home builder's right to choose the features, amenities, structure, floor plan and interior and exterior design of a home or to require screening, walls, or fences. Further prohibits municipalities of more than 50,000 from establishing minimum lot sizes, square footage, lot coverage, setbacks greater than 5 feet and design or aesthetic elements for single-family homes.

## **SB1005 - Public monies; ideology training; prohibition OPPOSE**

### **Sponsor**

Sen. Jake Hoffman (R)

### **Legislative History**

Passed Senate (16-13); transmitted to the House 2/1/24.

### **Summary**

Prohibits a public entity from requiring an employee to participate in "diversity, equity and inclusion" (DEI) programs (defined), spending public funds on DEI contracts, programs, technology, supplies, services, or employment, and promoting any DEI oriented theories as that public entity's official position. Allows for employees forced to do any of the above to bring an action against the public entity.

## **SB1052 - All-terrain vehicles; definition OPPOSE**

### **Sponsor**

Page 3 of 5

Sen. Carroll (R)

**Legislative History**

Assigned to Senate Transportation & Technology Committee; Passed 6-1 on 1/22/24. Objection to Senate Consent Calendar; no COW yet.

**Summary**

Increases the weight of OHVs from 2,500lbs to 3,500lbs.

**SB1056 - Municipalities; counties; fee increases; vote OPPOSE**

**Sponsor**

Sen. Warren Petersen (R)

**Legislative History**

Passed Senate Government Committee 1/24/24 (5-3). No Senate COW.

**Summary**

Prohibits a common council of a municipality from levying or imposing an increase in any assessment, tax or fee without approval by two-thirds vote of the common council of the municipality. Prohibits the Board of Supervisors of a County from levying or imposing an increase in any assessment, tax or fee without approval by two-thirds vote of the Board of Supervisors of the county. Essentially applies the 1992 Prop 108 that applies to Arizona Legislature to cities and counties.

**HB2279 - Municipalities; counties; fee increases; vote OPPOSE**

**Sponsor**

Sen. Warren Petersen (R)

**Legislative History**

Passed Senate Government Committee 1/24/24 (5-3). No Senate COW.

**Summary**

Prohibits a common council of a municipality from levying or imposing an increase in any assessment, tax or fee without approval by two-thirds vote of the common council of the municipality. Prohibits the Board of Supervisors of a County from levying or imposing an increase in any assessment, tax or fee without approval by two-thirds vote of the Board of Supervisors of the county. Essentially applies the 1992 Prop 108 that applies to Arizona Legislature to cities and counties.

**HB2584 - Residential building materials; requirements; prohibition**

**Sponsor**

Rep. John Gillette (R)

**Legislative History**

Passed House Government Committee (8-1). On consent COW.

**Summary**

Prohibits a municipality from adopting or enforcing any code, ordinance, standard, stipulation or other legal requirement that limits the use of a building product or material in the construction or alteration of a residential building if the building product or material is approved by a national model code applicable to the building's construction or alteration. This means no Sedona specific exceptions to the IBC or IRC would be allowed, like:

1. The deletion of the allowances for stone rubble foundations and wood foundations, the former as it is an inferior method that is no longer used outside of historic house rehabs and the latter due to our environment and termite issues.

2. Prohibition on cedar or wood shake roofs or walls and exposed plywood or particleboard for fire safety reasons.

## **HB2720/SB1415 – Accessory dwelling units; requirements**

### **Sponsor**

Rep. Michael Carbone (R) / Sen. Ann Hernandez (D)

### **Legislative History**

Assigned to House Government Committee 2/14/24 and Senate Finance and Commerce Committee 2/12/24.

### **Summary**

Requires municipalities with more than 75,000 persons to allow ADUs up to 75% the size of the single-family house. Prohibits cities from having setbacks greater than 5 feet, requiring the ADU match the single-family house, prohibit or require kitchen facilities, require any type of restrictive covenant. This bill is nearly identical to a law that passed in Montana last year. That bill is currently under a court injunction after a group of property owners in cities in Montana filed suit against the state to block the implementation of that legislation.

Please contact me if you have any questions or if you are aware of proposed legislation that should be added to this list.