

Action Minutes
Special City Council Meeting – Budget Work Session
City Council Chambers, Sedona City Hall,
102 Roadrunner Drive, Sedona, Arizona
Wednesday, April 17, 2024, 8:00 a.m. &
Thursday, April 18, 2024, 8:00 a.m.

1. Call to Order/Pledge of Allegiance/Moment of Silence

Mayor Jablow called the meeting to order at 8:00 a.m.

2. Roll Call

Roll Call: Mayor Scott Jablow, Vice Mayor Holli Ploog, Councilor Melissa Dunn, Councilor Brian Fultz, Councilor Pete Furman, Councilor Kathy Kinsella, Councilor Jessica Williamson.

Staff Present: City Manager Anette Spickard, Former City Manager Karen Osburn, Deputy City Manager Andy Dickey, City Attorney Kurt Christianson, Finance Director Cherie White, Parks and Recreation Manager Josh Frewin, Police Chief Stephanie Foley, Accounting Technician Katie Dutro, Director of Wastewater Roxanne Holland, Human Resources Manager Russ Martin, Public Relations Coordinator Kegn Moorcroft, Accounting Manager Renee Stanley, Budget and Financial Analyst Sterling West, Executive Assistant Sherri O'Connor, Deputy Chief of Police Ryan Kwitkin, Lieutenant Raquel Oliver, Lieutenant/Manager Erin Loeffler, Police Records Clerk II Jamie Rivero, Police Support Services Technician Heidi Videto, Magistrate Judge Paul Schlegel, Sustainability Manager Bryce Beck, Director of Engineering/Public Works Kurt Harris, Assistance Director of Public Works Sandy Phillips, Engineering Supervisor John Hall, Facilities Maintenance Supervisor Larry Farhat, Transit Administrator Robert Weber, Associate Engineer Robert Welch, City Maintenance Manager Ryan Hayes, Administrative Supervisor Katie Chadwick, Information Technology Director Chuck Hardy, Art & Culture Specialist Nancy Lattanzi, Housing Coordinator Jeanne Frieder, Housing Manager Shannon Boone, Community Development Director Steve Mertes, Deputy City Clerk Marcy Garner.

3. Special Business

Work Session regarding City of Sedona budget for Fiscal Year 2024/2025. The Council may take action to give direction regarding amendments or changes to the proposed City budget or Capital Improvements Plan.

- a. Public Comment: Public comment on all budget items will be taken at the outset of the meeting. Each person commenting will have a maximum of two minutes. The entire period for the public comment will not exceed thirty minutes –**

Open to public comment at 8:00 am.

Tracy Randall, Sedona, president of the Verde Valley Cyclists Coalition, spoke in favor of the new program manager position.

Ann Kelley, Sedona, congratulated Karen Osburn on her retirement and thanked her for her service. She spoke about concerns with short-term rentals in the city.

Sean Smith, Sedona, spoke about the benefits of ADA compliant websites, brief surveys, and new technology.

Closed public comment at 8:09 am.

b. An introduction to and overview of the 2024/2025 Fiscal Year Budget process will be presented and discussed.

Presentation by Cherie White.

Questions and comments from Council throughout entire budget presentation.

Cherie White gave an overview of the budget calendar and how the budget is organized. The key highlights of the budget are:

- Significant capital improvement costs
- Continued implementation of an in-house tourism bureau
- Significant surpluses to be allocated to the highest priorities
- Modest growth in sales and bed tax revenues
- Loans to certain funds to cover deficits
- Insufficient capital reserves
- Significant community input

An overview of departmental budgets will be presented and reviewed with any departments requested by the City Council.

Introduction by Cherie White.

Presentation by members of the Citizen's Budget Work Group: Lynn Zonakis and Lance G. Walter.

Council thanked the work group for their work and their recommendations.

Questions and comments from Council throughout the departmental presentations.

c. Recommendations of the Citizen's Budget Work Group –

- City of Sedona 10-year Master Summary Project list by Major Program document.
- Community Surveys revisions and use Town Halls to obtain feedback from residents.
- Regauge interest in consolidating garbage collection.
- Sustainability, water, composting and electric incentives for residents.
- Wastewater, prioritize rate study and work group to reevaluate wastewater fees and options.
- Electric Vehicles be limited to non-tactical/emergency vehicles.
- Great value in Victim Services position.

d. An overview of departmental budgets will be presented and reviewed with any departments requested by the City Council-

Wastewater – presentation by Cherie White and Roxanne Holland. Direct costs reflect an increase of 8% over FY24. FY25 one-time cost total \$564,460. Council thanked Roxanne for her work. There is no decision package.

By majority consensus, Council agreed to wastewater rate increase of 3.6%.

Break at 09:58 a.m. Reconvened at 10:13 a.m.

Parks & Recreation – presentation by Cherie White and Josh Frewin. Direct costs reflect an increase of 1% over FY24. FY25 increase in one-time cost \$50,290. Decision packages include: Autism and Sensory Awareness Guides and Training, Hub Kitchen New Countertops, Skate Park

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Lighting in Posse Grounds.

Public Transit – presentation by Cherie White, Robert Weber, and Kurt Harris. Direct costs reflect an increase of 12% from FY24. FY25 one-time cost total \$297,570. No decision package.

Sustainability – presentation by Cherie White, Bryce Beck, and Kurt Harris. Direct costs reflect a decrease of 11% over FY24. FY25 one-time costs total \$9,660. No decision package.

Break at 11:55 am p.m. Reconvened at 1:00 p.m.

Public Works – presentation by Cherie White, Kurt Harris, and John Hall. Direct costs reflect an increase of 19% over FY24. FY25 one-time cost total \$958,160. Decision packages include: Program Manager-Parking/Trails, Public Works Inspector I, Custodial Maintenance Worker/EV Work Truck, Facilities Maintenance Worker/EV Van, Maintenance Worker/Work-Plow Truck.

Break at 3:06 p.m. Reconvened at 3:16 p.m.

Police – presentation by Cherie White, Chief Foley, Deputy Chief Ryan Kwitkin, and Erin Loeffler. Direct costs reflect an increase of 11% over FY24. FY25 one-time cost total \$1,889,750. Chief Foley commended Erin Loeffler for her research on victim services. Chief Foley and Erin Loeffler returned on Thursday 4/18/2024 for follow-up questions from council regarding additional technology including, “Flock,” for additional camera and notification technology. Decision packages include: Evidence Technician from part-time to full-time, Victim Services Specialist/Background Investigator, Reallocation of four Part-Time CSAs to 2 Full-Time CSOs and PSPRS One-Time Contribution.

Human Resources – presentation by Cherie White, Russ Martin. Direct costs reflect a 37% increase over FY24. FY25 one-time costs total \$20,000. Decision package includes: Additional Human Resources Specialist.

Break at 4:55 p.m. on Wednesday afternoon. Will reconvene Thursday, June 15, 2023 at 8:00 a.m.

Information Technology – presentation by Cherie White and Chuck Hardy. Direct costs reflect a 3% over FY24. FY25 one-time cost total of \$379,540. Decision package includes: Wi-Fi at Wastewater plant.

City Manager’s Office – presentation by Cherie White and Karen Osburn. Direct costs reflect a decrease of 29% over FY24. There is no decision package.

City Manager Admin – presentation by Cherie White and Karen Osburn. Direct costs reflect an increase of 1%. There is no decision package.

City Manager Arts & Culture – presentation by Cherie White and Karen Osburn. Direct costs reflect an increase of 9%. Decision package includes: One part-time temp employee, not recommended. No discussion.

Communications, Tourism and Economic Initiatives, (CTEI) – presentation by Cherie White and Karen Osburn. Direct costs reflect an increase of 55%. FY25 one-time cost total \$130,000. Decision package includes: Destination Marketing, two Tourism Coordinators or one with contract advisor.

Municipal Court – presentation by Cherie White, Judge Schlegel and Coconino County Deputy Court Administrator, Shelly Bacon was available to answer questions. Direct costs reflect an increase of 4% over FY24. FY25 one-time cost total \$51,060. Decision package includes: Ongoing Temporary Court Clerk, New Court Clerk Position, New Court Clerk-Post-Adjudicated

cases.

Break at 10:08 a.m. Reconvened at 10:24 a.m.

Community Development – presentation by Cherie White and Steve Mertes. Direct costs reflect an increase of 6% over FY24. FY25 total one-time costs is \$135,460. There is no decision package.

General Services – presentation by Cherie White. Direct costs reflect a decrease of 18% over FY24. FY25 one-time costs include: \$8,285,980.

- **Small Grants** The total of small grants awarded for FY24 was \$181,200 with \$350,000 projected for FY25.
- **Outstanding Bonds** – As of July 1, 2024, equal \$42,089,000 and pledged revenues for FY25 equal \$42,873,150.
- **FY2025 Contingencies Totals** – General Fund \$300,000, Housing Fund \$57,000, Grants \$500,000 and Wastewater Enterprise Fund 100,000.

Financial Services – presentation by Cherie White. Direct costs reflect an increase of 9% over FY24. FY25 total one-time costs is \$95,100. There is no decision package.

Housing – presentation by Cherie White, Shannon Boone. Direct costs reflect a decrease of 6% from FY24. FY25 total one-time costs \$772,120. There is no decision package.

Break at 11:55 p.m. Reconvened at 12:33 p.m.

City Attorney's Office – presentation by Cherie White and Kurt Christianson. Direct costs reflect an 11% increase from FY24. No one-time costs and no decision package.

City Council – presentation by Cherie White and Karen Osburn. Direct costs reflects a 5% decrease from FY24. No one-time costs or decision package.

City Clerk's Office – presentation by Cherie White and Karen Osburn. The budget reflects a 15% increase from FY24. FY25 total one-time costs increase of \$34,000. There is no decision package.

e. An overview of the overall City budget and strategic budget issues for FY 2024/2025 will be presented and discussed.

Presentation by Cherie White and Karen Osburn.

Questions and comments from Council throughout presentation.

Budget Overview – FY 2025 Budget is Balanced. Estimated July 1 fund balances total \$115.9 million; estimated \$69.9 million proposed revenues total; estimated \$121.4 million of total resources available. Excess resources available total \$21.0 million.

Salary & Benefit Changes – FY24 \$20,293, FY25 \$22,547

PSPRS Unfunded Liability – \$4.1M

Operations Changes – FY24 \$21,141, FY24 \$25,524

Capital Improvement Project (CIP) changes: FY24 \$33,629, FY25 \$46,082

Debt Service changes: FY24 \$7,425, FY25 \$7,228

Contingencies changes: FY24 \$3,331, FY25 \$957,000.

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Council Priorities funded in the budget include: Traffic/transportation improvements FY25 \$31.035 million; Public transit system total \$1.901 million; Affordable/workforce housing & homelessness totals \$18.9 million; Climate Action Plan Goal totals 19.602 million; Broadband totals \$10K; Cultural Park planning/other property acquisitions totals \$121,700; Manage impact from short-term rentals \$255,500; City Tourism Bureau Management totals \$2.028 million and Airport totals \$10,000.

Revenues changes: FY24 \$66,627 million, FY25 \$69,892 million.

Transfers between funds are budgeted as follows: Streets Fund \$1.938 million; Housing Fund 500K; Capital Improvements Fund \$10.527 million; Dev. Impact Fees Fund \$1.312 million; Art in Public Places Fund \$41.2 thousand; Public Transit Enterprise Fund \$4.48 million; Wastewater Enterprise Fund \$1.912 million; Info. Tech Internal Service Fund \$35 thousand; for a total of \$23.745 million.

f. An overview of the Fund Summaries will be presented and discussed.

Presentation by Cherie White and Karen Osburn.

General Fund – Ongoing revenues are budgeted at \$45.8 million, less \$27.1 million for ongoing expenditures; less \$2.3M in debt services; Less \$8.3M in ongoing transfers to other funds for a net of \$8.05 million.

Reserves are as follows: Operating Reserve \$8.8M; Equipment Replacement Reserve \$2.0M; Equipment Replacement Reserve \$2.0M; Loan to DIF Funds \$2.8M. Balance available after reserves \$18.4M.

Streets Fund Reserves- Operating Reserve \$830K; Rehab/Preservation Reserve \$300K; Equipment Replacement Reserve \$194K.

Housing Fund – Ongoing revenues are budgeted at \$76K; Ongoing Transfers budgeted at \$500K. Less ongoing expenditures are budgeted at \$519K. \$6.2 million reserved for Sunset Lofts loan and \$2.25 million reserved for 2250 Shelby Dr. loan; \$400K reserved for Down Payment Assistance loans. Net total is \$132K. There are no reserve requirements for this fund. Future affordable housing project loans total \$10.05 million.

Grants, Donations & Restricted Funds – Restricted to purposes for which monies were received, \$348K, automatically carries over to the following fiscal year.

Transportation Sales Tax Fund – Capital Reserve of \$0 (Estimate of available monies for CIP projects was used during budget compilation process. Deficit of \$65k will be adjusted before Tentative Budget adoption to reflect more eligible costs to be paid with unrestricted capital reserves). Not funded - \$2.0M, revenues projected for FY25 sufficient to cover costs after adjustment of \$13.1M eligible CIP projects transferred to unrestricted capital reserves.

Capital Improvements Fund Reserves – Capital Reserves - \$16.7M. Not fully funded - additional \$806M needed to meet policy reserve requirement.

Information Technology Internal Service Fund Reserves - Equipment Replacement Reserve is \$1.5M and fully funded based on policy reserve requirement. Balance available after reserves is \$499K.

Development Impact Feed Funds Reserves – Capital Reserves - \$0. Set aside to meet anticipated capital project costs in next fiscal year. Insufficient to cover FY costs of \$2.8M and FY25 capital needs of \$1.0M 0 loans will be necessary.

Art in Public Places Fund – Available Balance \$16K. Assumes 1% contributions generated by CIP projects will move forward at the pace budgeted. If 1% contributions are insufficient, loan may be necessary.

Public Transit Enterprise Fund – Future System Implementation- \$5.3M. Equipment Replacement Reserve - \$473K. Fully funded based on policy requirement.

Wastewater Enterprise Fund Ongoing Revenues vs. Ongoing Expenditures – Ongoing Revenues \$7.341 million, Transfer from Other Funds \$3 million, Less: Ongoing Expenditures \$5.923 million, Debt Service \$4.335 million. Fully funded fund reserves, Operating Reserve \$2 million, Capital Reserve \$5.7 million, Equipment Replacement Reserve \$1.4 million, Major Maintenance Reserve, \$269K, remaining available \$565K, total ending fund balances \$9.952 million.

Information Technology Internal Service Fund – Equipment replacement reserve - \$1.5M. Fully funded based on policy reserve requirement. Balance available after reserves -\$499K. Recommendation: Retain as addition to equipment replacement reserve until total asset replacement costs are fully covered.

Break at 2:05 p.m. Reconvened at 2:20 p.m.

g. An overview of the Capital Improvements Plan will be presented and discussed.

Presentation by Cherie White and Karen Osburn.

Questions and comments from Council throughout presentation.

h. Recap and review of overall budget, decision packages, capital improvement projects, and financial impacts will be presented and discussed.

Available Surplus Balances in the General Fund; FY23 \$10.8 million (\$4.9M of this amount was allocated during the FY24 budget process); FY24 est. \$11.1 million; FY25 budget \$3.0 million; and total estimated surpluses of \$8.3 million of FY24 surplus recommended to be used for capital reserves.

By majority consensus, Council agreed to the following surplus allocations:

\$5.8M of FY23 surplus remaining to be allocated.

PSPRS has 1.5M allocated, council approved an additional 2.6M to fund the remaining liability of 4.1M (as of 6/30/2023)

400K to the housing fund to get to the 18.9M in balance sheet loans.

1M allocated to CIP Parking System.

Remainder allocated to Capital Reserves.

DP recommendation to use \$1.5M for PSPRS unfunded liability.

Recommendation to use the remaining \$4.3M for capital reserves.

11.1M of FY24 (estimate) surplus remaining to be allocated:

8.3M allocated to Capital Reserves.

Break at 11:55 p.m. Reconvened at 12:33 p.m.

i. Items not completed on Wednesday, April 17, 2024, will be carried over to Thursday, April 18, 2024, beginning at 8:00 a.m.

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Questions and comments from Council throughout presentation.

By majority consensus, Council supported decision packages as indicated below:

Description	Council Direction	One-Time	Ongoing	Total
General Fund				
CMO – Part-Time Temp	Not Recommended	\$2,800	\$11,630	\$14,430
HR – HR Specialist Position	Recommended	\$5,800	\$85,700	\$91,500
FIN – Senior Tax Auditor	Not Recommended	\$28,800	69,030	\$97,830
Comm, Tourism & Econ Init – Destination Marketing	Recommended	-	\$200,000	\$200,000
Comm, Tourism & Econ Init – Two Tourism Coordinators or one and a contract	Recommended	\$13,100	\$210,340	\$223,440
Parks & Rec – Autism & Sensory Awareness Guides and TRN	Recommended	\$760,000	\$32,000	\$10,800
Parks & Rec – Hub Kitchen New Countertops	Recommended	\$18,500	-	\$18,500
Parks & Rec – Skate Park Lighting in Posse Grounds	Recommended	\$68,500	-	\$68,500
PW – Program Manager	Recommended	\$5,870	\$141,790	\$147,660
PW – Public Works Inspector I	Not Recommended	\$5,900	\$115,160	\$121,060
PW – Custodial Maintenance Worker/EV Work Truck	Recommended	-	\$88,140	\$88,140
PW – Facilities Maintenance Worker/EV Van	Recommended	\$5,870	\$102,220	\$108,090
Maintenance Worker I/ Work-Plow Truck	Not Recommended	\$22,870	\$94,570	\$117,440
PD – Evidence Tech Part Time to Full Time	Recommended	-	\$43,810	\$43,810
PD – Victim Services Specialist/Background Investigator	Recommended	\$2,900	\$79,970	\$79,970
PD - Reallocation of 4 PT CSA to 2 FT CSO	Recommended	\$10,680	\$95,370	\$106,050
PD - PSPRS One-Time Contribution	Recommended	\$1,500,000	-	\$1,500,000
Court – Ongoing Temp Court Clerk	Recommended	-	\$58,250	\$58,250

Description	Council Direction	One-Time	Ongoing	Total
Court – New Court Clerk Position, Post-Adjudicated	Recommended	-	\$77,300	\$77,300
Court – New Court Clerk	Not Recommended	-	\$77,300	\$77,300
General Fund Total		\$1,699,190	\$1,553,780	\$3,252,970
Streets Fund				
Snowplow/Supervisor Truck	Recommended	\$22,000	\$22,800	\$44,800
Streets Fund Total		\$22,000	\$22,800	\$44,800
Information Technology Fund				
Information Technology – WW-Wifi	Recommended	\$35,000	-	\$35,000
Information Technology Fund Total		\$35,000		\$35,000
Grand Total		\$1,756,190	\$1,576,580	\$3,332,770

Meeting was carried over from 8:00 a.m. to 5:01 p.m. on Thursday, April 18, 2024, and actions are reflected above.

4. Executive Session

Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action on executive session items.

No Executive Session was held.

5. Adjournment.

Mayor Jablow adjourned the meeting at 5:01 p.m. on Thursday, April 18, 2024.

I certify that the above are the true and correct actions of the Special City Council Meeting held on April 17 & 18, 2024.



 Marcy Garner, Deputy City Clerk

5/14/2024

 Date