



STATE OF ARIZONA  
OFFICE OF THE  
AUDITOR GENERAL

DEBRA K. DAVENPORT, CPA  
AUDITOR GENERAL

MELANIE M. CHESNEY  
DEPUTY AUDITOR GENERAL

RECEIVED  
MAY 13 2014  
CITY OF SEDONA  
OFFICE OF CITY MANAGER

May 14, 2014

RECEIVED  
MAY 15 2014  
CITY OF SEDONA  
OFFICE OF CITY MANAGER

The Honorable Rob Adams  
Mayor of the City of Sedona  
102 Roadrunner Drive  
Sedona, AZ 86336

Dear Mayor Adams:

We have reviewed the enclosed Alternative Expenditure Limitation proposal the City of Sedona submitted. The City's management is responsible for the proposal, including preparing it in conformity with Arizona Revised Statutes (A.R.S.).

Nothing came to our attention that caused us to believe that the proposal, as subsequently amended, is not presented in conformity with A.R.S. §41-563.03. However, we cannot give assurance that estimated or projected amounts will be attained, since they are based on assumptions about future circumstances and events. We are not responsible for updating this letter based on events that occur after the date of this letter.

Statute prohibits any revision to the proposal after our review. We have enclosed a copy of the resolution, detailed analysis, summary analysis, and summary analysis worksheet we reviewed. The enclosed summary analysis must be printed in the publicity pamphlet. Also, a copy of the publicity pamphlet must be sent to our Office before the election, and the City must notify our Office and the Economic Estimates Commission of the election results.

If you have questions concerning this matter, please contact Megan Smith, Accounting Services Manager, or me at (602) 553-0333.

Sincerely,

Laura J.P. Miller, CPA  
Accounting Services Director

Enclosure  
cc/enc: Karen Daines, Assistant City Manager  
City of Sedona  
Economic Estimates Commission

**RESOLUTION NO. 2014-05**

**A RESOLUTION OF THE MAYOR AND CITY COUNCIL OF THE CITY OF SEDONA,  
ARIZONA, PROPOSING AN EXTENSION OF THE ALTERNATIVE EXPENDITURE  
LIMITATION.**

WHEREAS, the Arizona State Constitution permits the submission to the voters of a city or town of an Alternative Expenditure Limitation; and,

WHEREAS, the voters of the City of Sedona in 2012 adopted an Alternative Expenditure Limitation; and,

WHEREAS, to comply with the Arizona State Constitution, Article IX § 20, Home Rule must be placed on the ballot during an election of the Mayor and City Council members; and,

WHEREAS, under Arizona's Consolidated Election Law, all elections for City Mayor and Council must be held in the fall; and,

WHEREAS, the City of Sedona elects the Mayor and Council members to staggering terms every other even numbered year; and,

WHEREAS, the current Home Rule authorization to exceed the Expenditure Limitation expires June 30, 2016, thus to adopt a budget which exceeds the Arizona State imposed expenditure limitation for the fiscal year beginning July 1, 2016, the City of Sedona must request voter approval for extension of the Alternative Expenditure Limitation during the 2014 fall election(s); and

WHEREAS, the City of Sedona City Council, after two (2) public hearings has determined that an extension of the Alternative Expenditure Limitation is necessary for the City of Sedona.

NOW, THEREFORE, BE IT RESOLVED BY THE MAYOR AND COUNCIL OF THE CITY OF SEDONA, ARIZONA:

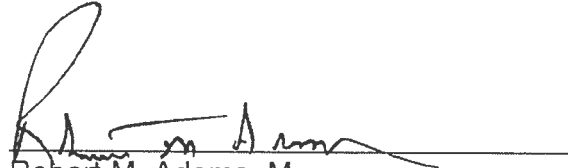
That the following Alternative Expenditure Limitation be submitted to the voters of the City of Sedona:

Shall the following be adopted by the City of Sedona as an Alternative Expenditure Limitation:

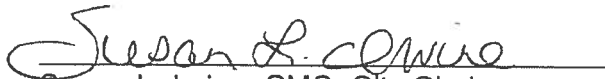
The Mayor and City Council of the City of Sedona shall annually, as part of the annual budget adoption process, adopt an Alternative Expenditure Limitation equal to the total amount of budgeted expenditures/expenses as it appears on the annual budget as adopted by the Council to apply to the City of Sedona for each of the four fiscal years immediately following such adoption. The Alternative Expenditure Limitation shall be adopted each year after a public hearing at which the citizens of the City of Sedona may comment on the proposed Alternative Expenditure

Limitation. No expenditures may be made in violation of such Alternative Expenditure Limitation, nor may any proposed expenditures be in excess of estimated available revenues, except that the Mayor and the City Council may, by three-fourths vote, declare an emergency and suspend the Alternative Expenditure Limitation. The suspension of the Alternative Expenditure Limitation shall be in effect for only one fiscal year at a time.

PASSED AND ADOPTED by the Mayor and City Council of the City of Sedona, Arizona, this 22<sup>nd</sup> day of April, 2014.

  
Robert M. Adams, Mayor

ATTEST:

  
Susan L. Irvine, CMC, City Clerk

APPROVED AS TO FORM:

  
Mike Goimarac, City Attorney

**ALTERNATIVE EXPENDITURE LIMITATION  
(Home Rule Option)  
DETAILED ANALYSIS**

Pursuant to the Arizona State Constitution, the City of Sedona as authorized by Resolution #2014-05 passed on April 22, 2014 will seek voter approval to adopt an alternative expenditure limitation (Home Rule Option) to apply to the City of Sedona for the next four years beginning in 2015-2016.

Under a Home Rule Option if approved by the voters, the City estimates it will be allowed to expend approximately \$34,483,147 in 2015-2016, \$34,436,601 in 2016-2017, \$32,472,137 in 2017-2018 and \$34,181,020 in 2018-2019.

With approval of the Home Rule Option, the City will utilize the expenditure authority for all local budgetary purposes including General Government, Community Development, Public Safety, Public Works, Highway and Streets, Wastewater Utility, Capital Improvements, Grants and Debt Service. We estimate that the expenditures for the next four years under the Home Rule Option will be as follows:

**ESTIMATED AMOUNTS TO BE EXPENDED IN SPECIFIC AREAS**

Purpose	2015-2016	2016-2017	2017-2018	2018-2019
General Government	\$ 6,479,010	\$ 6,673,380	\$ 6,873,581	\$ 7,079,788
Community Development	\$ 1,086,318	\$ 1,118,908	\$ 1,152,475	\$ 1,187,049
Public Safety	\$ 3,795,887	\$ 3,909,764	\$ 4,027,057	\$ 4,147,869
Public Works	\$ 1,906,067	\$ 1,963,249	\$ 2,022,146	\$ 2,082,810
Highway and Streets	\$ 1,267,962	\$ 1,306,001	\$ 1,345,181	\$ 1,385,536
Wastewater Utility	\$ 8,154,620	\$ 9,538,446	\$ 5,768,887	\$ 4,302,398
Capital Improvements	\$ 4,195,419	\$ 2,351,958	\$ 4,062,059	\$ 6,781,558
Grants	\$ 976,885	\$ 967,116	\$ 1,015,472	\$ 1,035,781
Debt Service	\$ 6,620,979	\$ 6,607,779	\$ 6,205,279	\$ 6,178,231
<b>Total Expenditures</b>	<b>\$ 34,483,147</b>	<b>\$ 34,436,601</b>	<b>\$ 32,472,137</b>	<b>\$ 34,181,020</b>

If approved, the expenditures authorized will be funded from revenues obtained from federal, state and local sources. It is estimated that the amount of revenue from each source for the next four years will be as follows:

**ESTIMATED AMOUNTS OF REVENUE FROM EACH AND ANY SOURCE**

Source	2015-2016	2016-2017	2017-2018	2018-2019
Federal	\$ 235,000	\$ 240,000	\$ 250,000	\$ 250,000
State	\$ 3,619,292	\$ 3,764,063	\$ 3,914,626	\$ 4,051,638
Local	\$ 30,628,855	\$ 30,432,538	\$ 28,307,511	\$ 29,879,382
<b>Total Revenues</b>	<b>\$ 34,483,147</b>	<b>\$ 34,436,601</b>	<b>\$ 32,472,137</b>	<b>\$ 34,181,020</b>

In determining the revenue sources to fund the authorized additional expenditures under the alternative expenditure limitation, it is assumed that the federal, state and local revenues received by the City will continue to be available in 2015-2016 as they have for the past two years. Their continued availability is also assumed for the next three consecutive years following 2015-2016. Available revenue sources may include other sources such as available fund balance/net position and reserves.

Any and all dollar figures shown in this analysis are estimated figures only and are based upon information available at the time of preparation of this report. The budgets and actual expenditures in any given year may be more or less than the figures noted above depending on available revenues. The actual expenditure limitation for each fiscal year shall be adopted as an integral part of the budget for that fiscal year.

**ALTERNATIVE EXPENDITURE LIMITATION**  
**(Home Rule Option)**  
**SUMMARY ANALYSIS**

The voters of the City of Sedona in 2012 adopted an alternative expenditure limitation (Home Rule Option). The purpose of this election is for the continued use of the Home Rule Option.

Pursuant to the Arizona State Constitution, the City of Sedona seeks voter approval to adopt a Home Rule Option to apply to the city for the next four years beginning in 2015-2016. Under a Home Rule Option if approved by the voters, the city/town estimates it will be allowed to expend approximately \$34,483,147 in 2015-2016, \$34,436,601 in 2016-2017, \$32,472,137 in 2017-2018 and \$34,181,020 in 2018-2019.

With approval of the Home Rule Option, the City will utilize the expenditure authority for all local budgetary purposes including General Government, Community Development, Public Safety, Public Works, Highway and Streets, Wastewater Utility, Capital Improvements, Grants and Debt Service.

Under the state-imposed limitation the City estimates it will be allowed to expend approximately \$25,478,292 in 2015-2016, \$27,068,430 in 2016-2017, \$23,162,912 in 2017-2018 and \$21,933,261 in 2018-2019 for the operation of your local government. These expenditure estimates include expenditures of constitutionally excludable revenues.

The amount of revenue and other sources estimated to be available to fund the operation of your City government is \$34,483,147 in 2015-2016, \$34,436,601 in 2016-2017, \$32,472,137 in 2017-2018 and \$34,181,020 in 2018-2019. These revenue estimates are the same under the Home Rule Option or the state-imposed expenditure limitation.

Any and all dollar figures presented in this summary are estimates only and are based upon information available at the time of preparation of this analysis. The budget and actual expenditures in any of the four years may be more or less than the expenditures noted above depending on available revenue.

If no alternative expenditure limitation is approved, the state-imposed expenditure limitation will apply to the city.

**ALTERNATIVE EXPENDITURE LIMITATION**  
**City of Sedona, Arizona**  
 (Home Rule Option)  
**SUMMARY ANALYSIS WORKSHEET**

**POPULATION FACTOR COMPUTATION**

Fiscal Year	Prior Fiscal Year Population	/	1978 Population	=	Population Factor
2015-2016	10,140	/	7,050	=	1.4383
2016-2017	10,240	/	7,050	=	1.4525
2017-2018	10,340	/	7,050	=	1.4667
2018-2019	10,450	/	7,050	=	1.4823

**STATE-IMPOSED EXPENDITURE LIMITATION**

Fiscal Year	1979-80 Base Limit	X	Population Factor	X	Inflation Factor	=	Projected State- Imposed Expenditure Limitation	+	Estimated Exclusions	=	Total Expenditures Under State Imposed Limit
2015-2016	\$ 2,960,687	X	1.4383	X	2.8758	=	\$ 12,246,181	+	\$ 13,232,111	=	\$ 25,478,292
2016-2017	\$ 2,960,687	X	1.4525	X	2.9245	=	\$ 12,576,514	+	\$ 14,491,916	=	\$ 27,068,430
2017-2018	\$ 2,960,687	X	1.4667	X	2.9706	=	\$ 12,899,651	+	\$ 10,263,261	=	\$ 23,162,912
2018-2019	\$ 2,960,687	X	1.4823	X	3.0200	=	\$ 13,253,652	+	\$ 8,679,609	=	\$ 21,933,261